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World Agriculture

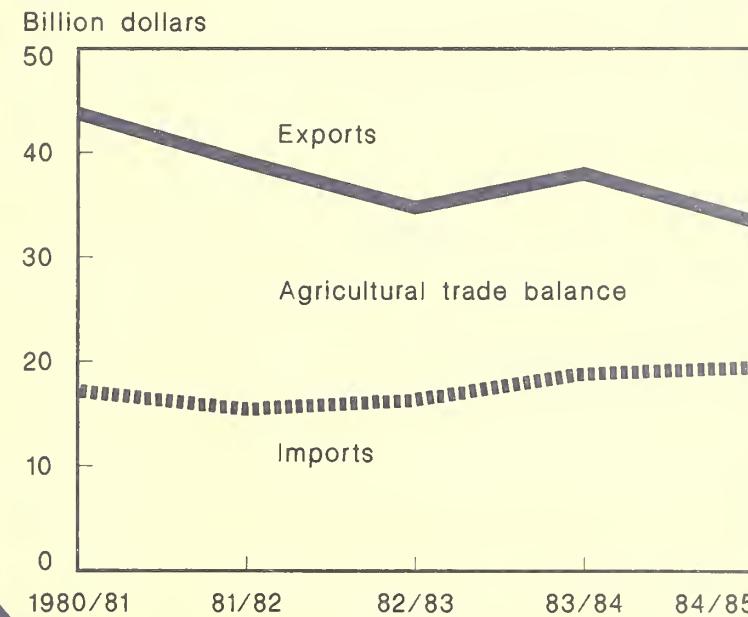
Outlook and Situation Report

PRODUCTION
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U.S. Agricultural Trade Balance Shrinks



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Note: Tons are metric, dollars are U.S., and rice is on a milled basis unless specified otherwise.

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SUMMARY

World economic growth will slow to an estimated 3.4 percent this year, down from 4.3 in 1984. Growth in the industrialized countries may fall to 3.1 percent from last year's 4.9, but advance in the developing countries from 3.7 to 4 percent. Global demand for agricultural products may rise with increased growth in developing countries and increased consumer spending in major foreign industrialized nations.

The U.S. dollar has stabilized after falling sharply in March and April against the top five currencies important to U.S. agricultural trade. However, if domestic interest rates continue to decline, the value of the dollar probably will fall.

The forecast for U.S. agricultural exports in fiscal 1985 continues to slide, pressured by large crops abroad. The latest forecast, at \$33.5 billion, is down \$2 billion from the February estimate. In contrast, imports are rising, causing the trade balance to deteriorate. U.S. agricultural imports are projected at \$19.5 billion, up from last year's record \$18.9 billion.

In January 1986, Spain and Portugal will become members of the European Community (EC). Spain will be fully integrated into the EC following a 10-year transition period. Spain's accession could significantly affect U.S. exports, since agricultural products,

especially corn and soybeans, are the largest contributor to the U.S. trade surplus with Spain. However, the net effect is difficult to predict because of the diversity of Spanish farm subsidies and the uncertainty of future domestic policies and producer responses.

The number of developing countries that are not self-sufficient in food production has increased and their locations have become more scattered over the past two decades. A study of 106 non-Communist developing countries shows food self-sufficiency during 1967-80 declined in more than twice as many as it increased. Net food exports to these countries probably will continue to grow during the rest of the 1980's, following trends in food demand that evolved during the 1960's and 1970's.

Since July 1984, growth in world demand for fertilizers has been less robust than a year earlier. Only moderate increases in consumption at significantly lower prices are in prospect through early 1986. The long term outlook also is for modest gains in fertilizer use.

World meat consumption rose 1 percent to 53.2 kilograms per person in 1984 because of increased pork and poultry consumption. Per capita consumption will remain steady this year as poultry meat expands while beef and pork decline slightly.

WORLD ECONOMIC CONDITIONS

Global Assessment

World Growth Continues

Growth in the world economy will likely slow in 1985, to 3.4 percent from 4.3 percent in 1984, according to the recent *World Economic Outlook* published by the International Monetary Fund (IMF). The expected slowing of economic activity in the United States, Japan, and Canada, and unchanged growth in Europe will combine to reduce the growth rate of the industrial countries from 4.9 percent in 1984 to around 3 percent in 1985. Economic growth in the developing countries (LDC's) likely will increase this year to 4.0 percent from 3.7 percent in 1984; all regions except Asia are expected to expand at a higher rate than last year. Growth in Asia is likely to be double that in other regions.

Policies Remain Restrictive

Monetary policies are expected to remain fairly restrictive in 1985 in most industrialized countries. Growth in the money supply--money in circulation plus private demand deposits--is forecast to decline 0.8 percentage points below the 7.0 percent in 1984 for the group of major industrialized countries, including the United States. Inflation, as measured by the gross national product (GNP) deflator, is forecast to rise

marginally to 3.7 percent in 1985. Declines in inflation since 1983's 4.6 percent can be attributed to monetary restraint, declining prices for petroleum and other commodities, and cyclical improvements in productivity that have helped restrain production costs.

Fiscal policies in most major foreign industrialized countries are also likely to remain restrictive in 1985; deficits will decline relative to GNP. The United States, however, will probably show a sizable budgetary expansion, with net expenditures increasing as much as 1.3 percent of GNP, on a cyclically adjusted basis, according to the IMF. By contrast, the major foreign industrialized countries generally are forecast to constrict their budgets by as much as 0.5 percent of GNP, on a cyclically adjusted basis.

This set of monetary and fiscal policies and the expected slowing of economic activity may help reduce interest rates in 1985, both in nominal and inflation-adjusted terms. The IMF forecasts that the short-term London interbank offered rate (LIBOR)--an international interest rate that reflects credit market pressures--will decline from 10.8 percent in 1984 to 9.5 percent. The inflation-adjusted interest rate--LIBOR adjusted by the average GNP deflator--is projected to decline from 7.2 to 5.8 percent. The expected decline in interest rates could spur inventory investments and consumption of durables in the industrialized countries and ease debt-servicing loads in the developing countries.

Growth Likely To Spread in 1985

In the industrialized economies, growth rates are expected to converge around the forecast average of 3.1 percent, reflecting a slowing in the United States, Canada, and Japan, and a slight acceleration of growth in most major countries of the European Economic Community. Growth may decelerate in smaller European countries. Growth will slow in the United States, Canada, and Japan for two reasons: First, much of the previous slack in physical capacity has already been taken up. Investment growth, therefore, will likely be much slower than earlier in the recovery. Second, much of the consumer demand that was pent up during the recession has already been satisfied; consumption is expected to be slower for these countries.

World GNP growth rates 1/

Region	1983	1984	1985
World	2.6	4.3	3.4
Industrialized countries	2.6	4.9	3.1
United States	3.7	6.8	3.4
Industrialized less U.S.	2.0	3.5	2.9
Japan	3.4	5.8	4.3
Developing	1.5	3.7	4.0
Africa	-.2	2.2	2.9
Asia 2/	7.1	6.4	5.8
Middle East	.6	2.3	2.9
Western Hemisphere	-3.1	2.4	3.2
USSR and East Europe 3/	3.5	3.1	3.6

1/ Percent change from previous year.

2/ Includes People's Republic of China.

3/ Excludes Hungary, Romania, and Yugoslavia.

Source: IMF, *World Economic Outlook*, April 1985.

except Japan, where gains in disposable income could be large.

Economic growth in Western Europe will probably average about the same as in 1984—2.4 percent. The composition of this growth is expected to shift from a dependence on exports to an increase in consumer expenditures and expanded spending on gross fixed investment. In the United Kingdom, gains in these items will likely be boosted by the conclusion of the coal miners' strike. Germany's export growth will probably remain strong in 1985 and, combined with an acceleration in consumer and investment spending, may push GNP growth up.

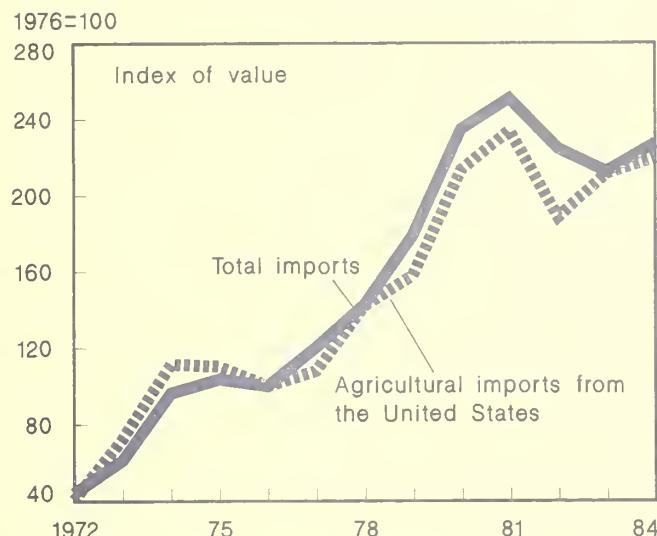
Spending Could Help U.S. Exports

The likelihood of an acceleration in consumer expenditures in most countries bodes well for U.S. agriculture, though the benefit will likely be small. Consumption is forecast to grow faster in all major foreign countries, except Canada. The IMF projects that consumption in the major foreign industrialized countries will grow an average 3.1 percent in 1985, up from 1.8 in 1984. In the major European countries—France, Germany, Italy, and the U.K.—the rate is forecast to increase to 1.9 percent from 0.9 in 1984. Much of this rise is likely to result from purchases of consumer durables, because spending on those fell most dramatically during the recession. Purchases of nondurable goods, including food and beverages, are also likely to advance, though at a slower rate. To the extent that these increases translate into a rise in demand for imports, U.S. agricultural exports could benefit.

LDC Economies, Imports Advance

Improving conditions in the LDC's may help stabilize or increase agricultural imports in 1985. According to the IMF, LDC exports may continue to increase, providing growth in foreign exchange earnings. Interest rates will probably average lower than in 1984, easing the terms of debt repayments, and internal policies will attempt to reduce inflation further, thus raising the efficiency of resource allocation and investment, and boosting productive capacity. This enhancement in the overall financial position will enable the LDC's, as a whole, to scale back their external

LDC's: Total Imports and Agricultural Imports from the United States



debt relative to export earnings, to rebuild their reserves of international assets, and to increase the value of their imports.

These conditions, if they continue to evolve, could benefit U.S. agricultural exports and help provide a firmer foundation for export growth over the next several years. U.S. exports could begin to increase immediately if the IMF's forecast of import growth in the LDC's turns out to be correct—5.4 percent in 1985. This assertion is based on relationships measured during 1972–83, when the value of agricultural imports by the LDC's as a group changed almost in unison with total LDC merchandise imports: a 10-percent change in total merchandise imports yielded a 9.7-percent change in agricultural imports. A similar relationship prevailed between the total value of agricultural imports by the LDC's and the value of U.S. agricultural exports to the LDC's: a 9.4-percent change in U.S. agricultural exports to the LDC's occurred for every 10-percent change in the value of LDC agricultural imports.

These relationships exclude several current factors that might keep U.S. agricultural exports to the LDC's from rising in 1985. Foremost is the continuing strength of the U.S. dollar, which will likely have a persistent, restraining effect on U.S. exports. Competition from new competitors such as China in cotton, corn, and soybeans, and India in wheat could cut into U.S. markets. This

competition was not as pervasive in the 1970's, when the relationships were observed. Also, the dollar was relatively weak, and China and India were importers or negligible exporters. Many other countries are importing less on average, with higher agricultural production than during the 1970's. In addition, many LDC's may be importing a higher share of capital goods than during 1972-83, now that foreign exchange earnings are on the rise. Shortages of foreign exchange probably forced countries to cut back more on capital goods than food imports during the past 3 years.

[Arthur Morey (202) 447-8470]

Dollar Exchange Rates

The U.S. dollar fell sharply in March and early April against all five currencies most important to U.S. agricultural trade. Since that time, the international value of the dollar has stabilized, remaining within narrow ranges against other major currencies. The change in interest rates payable on U.S. currency deposits in Europe has been the key factor leading to modulation in the dollar's exchange rate. Declining U.S. interest rates in late May should induce a fall in the foreign price of dollars during June.

Dollar Declined, Recovers Partially

The dollar's appreciation during February coincided with higher interest rates payable on dollars in Europe. High rates of return tend to attract investors into purchasing financial assets denominated in U.S. currency. LIBOR on 180-day dollar deposits rose from 8.6 percent (annual rate) in late January to 10.5 in early March. The reverse was true during the

Foreign currency units per U.S. dollar

Year	Mark	Yen	Pound	Guilder	Can\$
1979	1.833	219.2	.4713	2.006	1.171
1980	1.818	226.4	.4299	1.987	1.169
1981	2.257	220.2	.4983	2.492	1.199
1982	2.427	248.8	.5722	2.669	1.234
1983	2.553	237.5	.6592	2.854	1.232
1984	2.846	237.5	.7483	3.209	1.295
1985					
Jan.	3.168	254.2	.8857	3.579	1.324
Feb.	3.300	260.2	.9141	3.734	1.354
Mar.	3.296	257.8	.8903	3.724	1.383
Apr.	3.087	251.5	.8066	3.490	1.364
May 1/	3.103	251.6	.8001	3.510	1.375

1/ Preliminary.

March-April dollar decline, with the 180-day LIBOR falling to 8.8 percent in early May.

A further decline in U.S. interest rates in late May was accompanied by a lowered valued dollar. The U.S. prime rate fell below 10 percent, the Federal Reserve's discount rate dropped to 7.5 percent, and the bond market rallied. All three events promise decreased returns on financial assets denominated in dollars, and have discouraged the accumulation of dollars for investment.

The interest rate advantage accorded the dollar moves closely with changes in the 180-day LIBOR, among other interest rates. At the end of May, dollar-denominated financial assets paid some 2.5 percentage points more than comparable instruments measured in German marks. At the same time, U.S. bonds promised returns 1.8 to 2 percentage points higher than those marked in yen. The British pound, on the other hand, has consistently offered interest rates 3 percent higher than the U.S. dollar since early in March.

The current inflation rate in the United States, measured by the consumer price index, is approximately 2 percent higher than in West Germany and Japan. Real rates of return are therefore almost equal in the three countries. Expectations concerning the future course of both interest rates and inflation are the key factors in determining the course of the dollar. Two variables are being closely monitored by foreign exchange market participants: the rate of U.S. economic growth plus actual and assumed Federal Reserve policy.

Economic Growth, Federal Reserve Policy, and the Dollar

The performance of the U.S. economy in the first quarter of 1985 played a large role in framing expectations about future interest rates and economic growth. The slowdown in growth, especially compared with the robust economy in 1984, has led many to believe that the current interest rate structure is low. A significant proportion of currency traders feels that the U.S. economy will accelerate in the last half of 1985, pressuring interest rates upward and increasing the demand for dollars. The possibility of higher interest rates in the near future has encouraged those who hold

dollars to retain them. However, uncertainty about such a future course has discouraged the acquisition of additional dollars.

The Federal Reserve is believed to have loosened its reins on monetary growth. Interest rates are lower, including the Fed's own discount rate. This implies that U.S. monetary authorities have increased credit to encourage economic expansion. A second reason that the Fed would increase the money supply would be to protect the banking system from the threat of illiquidity failures.

An expansive monetary policy may produce both economic growth and price increases. An increase in inflation will lower the value of the dollar by reducing real rates of return. An expanding economy, which raises profits and rates of return, will lead the dollar upward.

Most currency traders are unwilling to conclude that real returns on dollar assets will either rise or fall in the near term. This should ensure that the dollar also will remain within a fairly narrow band, with occasional wide swings in day-to-day values against major currencies. An expanding world economy should, however, slowly erode the value of the dollar as 1985 progresses. [David Stallings (202) 382-9831]

Fertilizer

World Prices Decline, Use Rises Slightly

World demand for chemical fertilizers during the current fertilizer year that began July 1984 has been markedly less robust than a year earlier. Only moderate increases in consumption at significantly lower prices are in prospect through early 1986. The longer-term outlook is for modest increases in use. Price changes should continue to reflect crop prices in general and grain prices in particular.

Global consumption of all chemical fertilizers during 1983/84 rose 9 percent from a year earlier, according to preliminary estimates by the Food and Agriculture Organization of the United Nations (FAO). The scope of this demand was depicted by trends in most regions: use in North America

was up sharply from depressed 1982/83 levels, and consumption in the rest of the world also increased more than 7 percent. Consumption rose in all developing regions except Latin America and in all developed market economy and centrally planned economy regions. The increase in effective demand also was reflected in higher fertilizer prices: representative international fertilizer prices were up 10 to 45 percent in September 1984 from a year earlier.

Developments during 1984 confirm several trends that evolved since the mid-1970's. Foreign crop producers have increased their use of land-augmenting inputs such as fertilizer faster than their use of idle or under-utilized cropland. These growers on balance are highly price- and cost-conscious and they adjust their use of land and fertilizer to their expectations concerning cereals prices, and to changes in cereal stocks and crop plantings in the United States. World prices for food commodities were strong enough during 1984 to motivate foreign producers to increase fertilizer consumption.

Longer Term Outlook

The FAO projects global fertilizer consumption to increase 3.6 percent yearly during 1984-88. This would represent a slowdown from recent years--4.2 percent yearly from 1971/72 through 1982/83. Fertilizer prices began to adjust to these prospects during the past year: prices in the United States were 6 percent lower in March 1985 than a year earlier, while crop prices received by farmers were down 9 percent.

Subsequently, world prices for agricultural products declined further: food commodities recently were 25 percent lower and agricultural raw materials 10 percent lower, in U.S. dollars, than 12 months earlier. [Richard C. Taylor (202) 447-8106]

U.S. AGRICULTURAL TRADE

The 1985 forecasts for U.S. agricultural exports have continued to slide as the year has progressed, reflecting a continuation of the trends depressing U.S. trade over the last 4 years. The May forecast for fiscal 1985, at \$33.5 billion, is substantially below the

\$35.5-billion-estimate in February. Both export volume and value are expected to be at least 17 percent lower than their respective 1980 and 1981 peaks.

Imports Rising

While exports are falling, imports are rising and the trade balance is deteriorating. The problem in U.S. agricultural trade is not as acute as in nonagricultural trade, but the value of U.S. agricultural imports is expected to surpass last year's record and reach \$19.5 billion. Imports surged to a record \$18.9 billion last year largely on the strength of fruit juices, vegetable oils, and canned vegetables.

Agricultural imports are rising for some of the same reasons that nonagricultural imports have been pouring into the United States, but there are notable differences. Farm product imports have not caused a decline in U.S. production, as has occurred with many nonagricultural imports. The ratio between agricultural imports competing with U.S. products and those that cannot be produced in the United States is expected to remain steady during 1985. On a value basis, about 65 percent of U.S. agricultural imports projected for 1985 are considered competitive with U.S. products. This is approximately the same proportion imported every year since 1981, and implies agricultural imports have

been rising across the board with higher American consumption. The higher-valued dollar helped boost imports last year, as did the United States' leading position in the recent economic recovery. Since neither factor is expected to be as significant in 1985, agricultural imports are likely to increase much more slowly.

Exports Fall as Foreign Output Rises

Agricultural exports have trended steadily downward since 1981. Export value rose in 1984, however, as low U.S. supplies increased prices about the same time world economic growth began an upturn. A poor Soviet crop raised grain exports to the Soviet Union more than 100 percent. Soviet imports are expected to continue to rise in 1985, again holding U.S. coarse grain exports above a year earlier despite declining demand elsewhere, but export volume will be lower for most other farm products.

Export volume is expected to fall about 5 percent in fiscal 1985, to 137 million tons. LDC debt and payments difficulties and the strong dollar will continue to depress U.S. exports, as will rising foreign output. Foreign production for wheat, coarse grains, and oilseeds will outpace combined consumption again this year. Competitor production is up, and near-record wheat crops have been harvested over the last few months in

U.S. agricultural import values 1/

Commodity	1982	1983	1984	1985 F
Billion dollars				
Competitive				
Dairy & poultry prod.	.7	.8	.9	.9
Meat & meat prod.	2.0	2.1	1.9	2.3
Other animal prod.	.9	1.1	1.1	1.1
Fruits, nuts & vegetables	2.2	2.3	2.9	3.3
Oilseeds & prod.	.5	.5	.6	.7
Sugar & related prod.	1.4	1.1	1.3	1.1
Wines & malt beverages	1.2	1.3	1.5	1.7
Other	1.3	1.6	1.7	1.6
Noncompetitive				
Bananas & plantains	.6	.6	.7	.7
Coffee, green & processed	2.8	2.8	3.3	3.3
Cocoa beans & prod.	.7	.8	1.1	1.2
Rubber & allied gums	.6	.6	.9	.8
Other	.6	.7	.8	.8
Total	15.5	16.3	18.9	19.5

1/ Fiscal year. F = forecast.

U.S. agricultural export values 1/

Commodity	1982	1983	1984	1985 F
Billion dollars				
Grains and feeds				
Wheat and prod.	7.7	6.2	6.8	5.5
Rice	1.1	.9	.9	.7
Feed grains and products	7.0	6.6	8.2	7.3
Oilseeds and prod.				
Soybean cake and meal	1.5	1.4	1.2	.8
Soybeans	6.5	5.9	5.7	4.4
Soybean oil	.5	.5	.6	.5
Livestock prod.	3.2	3.0	3.5	3.3
Poultry prod.	.6	.5	.4	.4
Dairy prod.	.4	.4	.4	.5
Horticultural prod.	2.9	2.7	2.6	2.6
Cotton, incl. linters	2.2	1.7	2.4	2.2
Tobacco	1.5	1.5	1.4	1.6
Other	1.2	.9	1.1	1.0
Total	39.1	34.8	38.0	33.5

1/ Fiscal year. F = forecast.

Australia and Argentina, and a record soybean crop was harvested in Brazil. The United States will play the role of residual supplier, and increased production by lower-priced competitors is expected to lead to reduced U.S. market shares. In addition, areas that have been significant importers in recent years--the European Community (EC), China, and India--produced record grain crops last year. Subsequently, India has begun exporting wheat, China has begun exporting corn, and the EC has become a net exporter of coarse grains as well as wheat. The result is reduced import needs by some customers and heightened competition for sales to others as climbing production in the 1980's overtakes the demand increases inherited from the 1970's. [Stephen MacDonald (202) 447-8841]

WORLD COMMODITY DEVELOPMENTS

Wheat and Rice

World supplies of wheat and rice in 1985/86 are forecast to rise over 2 percent from a year earlier. The increase will come from larger beginning stocks and record production of both crops. Production is

expected to outpace consumption again, driving up ending stocks and reducing world prices.

World 1985/86 wheat production is forecast up slightly from 1984/85. Production in the United States is forecast at 66.5 million tons, down 4.1 million from last year. In addition to higher program participation, the reduction reflects hot, dry conditions in the Southeast and drought in the Northwest. Despite the smaller crop, large beginning stocks and poor export prospects point to another year of excess domestic supplies and larger ending stocks.

Soviet production, at 87 million tons, is estimated to be up 14 million from 1984/85. If this large harvest materializes, Soviet wheat imports may decline 8 million tons from the 27 million in 1984/85. China, the world's leading producer, may set another record in 1985/86 with a 90-million-ton crop. Thus, China's imports may fall for the fourth consecutive year to only about 7 million tons--off nearly 50 percent from 1980/81. Also, Brazil's wheat imports may decline 1 million tons to 4.5 million, because the government is expected to reduce subsidies on domestic wheat

Wheat: World production, consumption, and net exports

Country	1983/84			1984/85			1985/86 F		
	Prod.	Cons.	N. exp.	Prod.	Cons.	N. exp.	Prod.	Cons.	N. exp.
Million metric tons									
Major exporters									
United States	65.9	30.2	38.7	70.6	32.3	37.8	66.5	29.9	32.5
Canada	26.6	5.8	21.8	21.2	5.5	19.0	26.0	5.5	19.0
Australia	21.8	2.6	11.6	18.7	3.1	15.1	17.0	3.1	15.2
EC-10	59.1	49.2	13.0	76.2	52.2	15.1	69.0	52.1	17.2
Argentina	12.3	4.8	9.6	13.2	4.9	7.6	12.1	4.9	8.3
Turkey	13.3	13.8	.3	13.3	13.7	-.7	13.0	13.7	-.2
Major importers									
USSR	79.0	99.0	-20.0	73.0	98.0	-26.0	87.0	100.0	-18.0
China	81.4	91.0	-9.6	87.7	95.2	-7.5	90.0	97.0	-7.0
Eastern Europe	35.4	37.1	-1.5	41.6	40.8	+.7	37.1	38.7	-1.6
Other W. Europe	8.8	9.7	-.2	10.7	10.3	+.4	9.6	9.6	-.2
Brazil	2.1	6.4	-3.9	1.9	6.5	-5.4	2.1	6.5	-4.5
Mexico	3.2	4.1	-.6	4.2	4.4	-.4	4.2	4.5	-.3
Other Latin Am.	1.6	8.3	-6.9	1.8	8.4	-6.7	2.1	8.7	-6.8
Japan	.7	6.2	-5.6	.7	6.3	-5.3	.8	6.4	-5.5
India	42.8	42.0	-2.5	45.1	43.0	+.6	45.0	43.0	+1.4
South Korea	.1	2.4	-2.4	0	2.7	-2.7	0	2.4	-2.3
Indonesia	0	1.6	-1.6	0	1.4	-1.4	0	1.4	-1.2
Other Asia	18.1	23.9	-6.8	16.9	25.2	-8.3	17.0	25.2	-8.4
Egypt	2.0	8.0	-6.7	1.8	8.5	-7.1	1.9	8.8	-6.7
Morocco	2.0	4.1	-2.1	2.0	4.1	-2.1	1.6	4.3	-2.8
Other N. Afr./ME	10.7	24.4	-15.0	10.1	25.5	-15.4	11.4	26.3	-15.2
Other Africa	3.2	7.9	-4.2	3.3	8.3	-5.3	3.4	8.7	-5.2
Residual	.3	5.9	-5.4	.4	2.2	-2.0	.3	7.2	-7.7
World	490.4	488.4		514.4	502.5		517.1	507.9	

Trade on July-June years. --- = negligible. F = forecast.

consumption and promote production of food grains. Drought in Morocco and Pakistan are expected to raise import requirements in each country around 0.7 million tons above 1984/85.

World exports in 1985/86 (June/July) may drop 5 million tons, but those of the major foreign competitors--Argentina, Australia, Canada, and the EC--may increase slightly to 60 million tons, with most of the increase coming from Argentina. Canada's production is projected at 26.0 million tons, up sharply from last year's drought-reduced crop. With record beginning stocks and a forecast 1985/86 crop second only to last year's record, the EC will export aggressively in world markets to avoid a further increase in stocks. In addition, India, a major importer until 1983/84, is expected to increase sales to 1.5 million tons to reduce burgeoning supplies. Thus, U.S. exports in 1985/86 are forecast at 32.7 million tons, down 5.3 million from last year and the lowest since 1978.

With excessive supplies among the major exporters, particularly the United States and the EC, competition for the reduced world market will intensify. While Argentina will continue to offer the lowest prices, other exporters will use a variety of incentives to maintain markets. The ability to offer attractive financing may play an increasing role since debt problems continue to constrain purchases by many developing nations.

Morocco, for example, has relied on credit from various countries for wheat imports since 1981. The United States, through increases in blended credit, raised its share in Morocco from 22 percent in 1980/81 to 77 percent in 1983/84. With the suspension of the 1985 blended credit program in March and subsequent increases in credit from France, the United States has been pressured to develop a competitive alternative or relinquish the gains made in the early 1980's.

In May, the United States announced a 3-year Export Enhancement Program, which allocates \$2 billion of Government-owned commodities as bonuses to increase exports to specially targeted markets. The first offer, announced in June, will involve up to 1 million tons (including the CCC-bonus) of non-Durum wheat for Algeria. Major factors that are still undetermined include the extent of future initiatives, the impact on total world wheat

import demand, U.S. sales to other markets, and competitor reactions.

Record Rice Output Again in 1985/86

World rice production in 1985/86 is forecast at 319.5 million tons (milled basis), slightly above 1984/85. U.S. production is expected to fall from 4.4 million tons to 4.0 million because of high participation in the rice program. Global production is expected to continue to outpace consumption and stocks will rise. World trade may remain around 12 million tons as former importers such as Indonesia and Korea achieve self-sufficiency for the second consecutive year.

World rice trade in calendar 1985 is forecast at 11.6 million tons, down from 12.5 million in 1984. Among the major exporters, Thailand is expected to increase its market share to 38 percent, largely at the expense of Pakistan and Burma. The United States may ship 200,000 tons to Africa through the CCC African Drought Relief Program, but U.S. commercial sales so far in 1985 are behind last

Rice: Production, consumption, and net exports

Country	1983/84			1984/85 F		
	Prod.	Cons.	Net exp.	Prod.	Cons.	Net exp.
Million metric tons						
Major exporters						
U.S.	3.2	1.8	2.1	4.4	1.9	1.9
Thailand	12.9	8.0	4.5	12.0	8.0	4.4
Pakistan	3.3	2.3	1.1	3.5	2.4	.9
China	118.2	117.3	-.9	124.7	123.9	-.8
India	59.8	58.0	-.5	59.5	58.5	---
Burma	9.0	8.2	.8	9.3	8.7	.6
Japan	9.4	10.1	-.1	10.8	10.2	0
Italy	.6	.3	.4	.7	.3	.3
Aust.	.5	.1	.4	.6	.1	.4
Major importers						
Indo.	24.0	25.3	-.4	25.8	25.1	-.2
S. Korea	5.4	5.5	+.1	5.7	5.7	0
Bang.	14.5	14.9	-.6	14.5	14.9	-.5
Vietnam	9.1	9.3	-.2	9.0	9.3	-.4
O. Asia	17.5	18.5	-.9	17.1	18.7	-1.5
USSR	1.8	2.1	-.4	1.8	2.1	-.3
Brazil	6.1	6.3	-.3	6.1	6.3	-.2
Other						
Latin Am.	4.5	4.8	---	4.9	4.7	+.1
Iran	.9	1.6	-.7	.9	1.7	-.7
Other N.						
Afr./ME	1.9	3.6	-1.9	1.8	3.7	-1.8
Malagasy	1.4	1.5	-.1	1.4	1.5	-.1
Nigeria	.9	1.6	-.4	.9	1.5	-.5
O. Africa	1.9	3.9	-2.1	2.0	4.1	-2.0
Residual	.6	2.5	-1.7	.6	1.5	-1.2
World	307.4	307.5	318.0	314.8		

Trade on calendar years; calendar 1984 corresponds to 1983/84. --- = negligible. F = forecast.

year. While U.S. exports may drop to 2.0 million tons, the U.S. market share is expected to remain at 17 percent. [Scott Reynolds (202) 447-8879]

Coarse Grains

World coarse grain production in 1985/86 is forecast at a record 816 million tons. U.S. production is forecast to increase slightly, but remain well below record. Production in China is likely to approach a record, and Soviet outturn may be the highest in recent years. As production in the major foreign exporting and importing countries increases, global trade will diminish somewhat, and the U.S. share may fall to its lowest in recent years.

1985/86 Output Up, Trade To Plummet

At 816 million tons, the forecast for 1985/86 coarse grain production is up about 13 million tons from a year earlier, and up 131 million from 1983/84. Initial projections show no significant production shortfalls in the

major coarse grain producing countries, although output will decline--but remain above average--in Eastern Europe and the EC. Soviet, Canadian, and South African production may rebound with the onset of improved weather. Thus, foreign production is forecast up about 6 million tons to a record 572 million.

Beginning stocks, although well below the 1983/84 record of 139 million tons, are large enough that, when coupled with record global production, coarse grain prices will decline. However, reduced grain prices and apparent diminished stocks of feed-quality wheat will not be sufficient to boost import demand for coarse grains.

Soviet Output the Key

By far, the biggest shift in forecast production and trade in 1985/86 is in the Soviet Union, which has had only 1 year of "above average" production since the record of 1978/79. This year, however, adequate soil moisture, limited winterkill, and generally good weather have aided winter grains and

Coarse grains: World production, consumption, and net exports

Country	1983/84			1984/85			1985/86 F		
	Prod.	Cons.	N. exp.	Prod.	Cons.	N. exp.	Prod.	Cons.	N. exp.
Million metric tons									
Major exporters									
United States	137.1	147.9	55.2	237.1	165.5	57.6	244.2	169.4	51.3
Canada	21.0	18.9	5.3	21.9	18.3	3.7	24.1	18.8	4.8
Australia	9.4	3.1	5.5	8.6	2.8	6.2	8.3	3.2	4.9
Argentina	17.4	7.6	10.9	19.4	7.5	11.7	19.3	7.0	11.7
Thailand	4.3	1.3	3.5	4.9	1.4	3.4	4.9	1.5	3.3
South Africa	5.1	7.2	-2.9	7.9	7.7	-.9	8.9	8.0	0
Major importers									
USSR	99.0	110.5	-11.9	86.0	112.0	-28.0	96.0	113.0	-17.0
China	92.7	92.6	+.2	95.4	90.9	+5.0	93.0	89.6	+3.4
Eastern Europe	67.1	68.5	-1.1	73.7	72.2	-.4	68.5	68.6	+.7
EC-10	64.0	67.9	-1.4	74.8	67.4	+3.3	70.5	67.6	+3.5
Other W. Europe	22.1	30.7	-6.6	28.5	30.4	-3.6	26.8	32.0	-4.0
Brazil	21.5	21.4	-.4	20.5	21.2	-.6	22.1	22.0	-.5
Mexico	13.8	18.4	-5.9	14.3	18.8	-4.6	13.6	19.4	-5.6
Venezuela	.8	2.4	-1.6	1.0	2.6	-1.6	1.2	2.7	-1.6
Other Latin Am.	7.7	9.6	-1.9	8.6	10.7	-2.1	8.8	10.9	-1.9
Japan	.4	20.5	-20.7	.4	21.2	-21.0	.4	21.5	-21.5
Taiwan	.2	4.4	-4.0	.3	4.5	-4.2	.3	4.5	-4.2
South Korea	.9	4.7	-4.1	.9	4.8	-3.5	.8	5.1	-4.2
Other Asia	49.5	51.1	-2.0	47.1	49.6	-2.3	48.8	50.9	-2.2
Egypt	4.3	5.8	-1.5	4.6	6.3	-1.8	4.7	6.5	-1.9
Iran	1.5	2.6	-1.2	1.3	2.6	-1.3	1.3	2.4	-1.1
Israel	---	1.2	-1.1	.1	1.3	-1.2	.1	1.4	-1.3
Other N. Afr./ME	15.0	25.1	-10.5	14.0	25.9	-12.1	15.7	27.4	-11.8
Other Africa	29.7	31.8	-1.5	31.2	33.1	-2.0	33.1	35.2	-1.8
Residual	.7	3.8	-.3	1.0	2.9	+.3	.8	5.6	-3.0
World	685.2	759.0		803.5	781.6		816.2	794.2	

Production on crop year basis, trade on October-September year. Includes corn, barley, sorghum, oats, millet, rye, and miscellaneous grains. --- = negligible. F = forecast.

improved prospects for spring grains throughout European USSR and Kazakhstan. As a result, Soviet coarse grain imports, which will account for almost 27 percent of global trade in 1984/85, are forecast to decline 10 million tons in 1985/86. The United States will absorb the bulk of the decrease.

China's production is forecast at 93 million tons, only 2 million short of the 1984/85 record. China has become a net exporter of coarse grains, with 1984/85 exports estimated at about 5 million tons. With larger domestic feed needs expected in 1985/86, China's exports may slip somewhat. Most of the exports are to traditional U.S. customers such as Japan, South Korea, and the Soviet Union.

1984/85 Production Rebounds

Global coarse grain production in 1984/85 recovered sharply from the low level of 1983/84, with the bulk of the increase in the United States. However, foreign production was about 18 million tons above a year earlier, with most of the gain in Western Europe, which took in a record harvest of more than 103 million tons. EC production gains were largely the result of wider use of hardy, high-yielding grains, and excellent weather throughout the growing and harvesting seasons. China's record 95-million-ton harvest was promoted by increasing the role of the local units in the decisionmaking process, wider use of fertilizers, and higher producer prices.

Competition for coarse grain trade is intense this year, as production among the major foreign exporters (Canada, Australia, Argentina, South Africa, and Thailand) increased 5 million tons, with the largest increases in Canada, Argentina, and South Africa. Because of crop failures, South Africa has not exported any significant quantities of coarse grain since 1982/83. In fact, the country became a net importer during 1983/84 and 1984/85.

Trade Prospects Gloomy for 1985/86

World exports of coarse grain for 1985/86, excluding intra-EC trade, are forecast at more than 94 million tons, down 9 million from 1984/85, and about 1 million below the 1981/82-1984/85 average. Coarse grain trade

reached a record 108 million tons in 1980/81. The decline this year is largely the result of a forecast 40-percent decline in Soviet purchases.

Exports to other importing countries are expected to increase about 2 million tons. China is forecast to again sharply reduce its imports from the 2.5 million tons in 1982/83. Japanese imports are forecast strong at 21.5 million tons, and expanding livestock production is expected to generate larger demand in East Asia and North Africa/Middle East.

Western Europe's 9-10 million tons forecast for 1985/86 look much like the year before. This is well below the 21 million tons imported as recently as 1981/82. Significant production gains and weak meat demand have limited West European import needs.

U.S. competitor exports of coarse grains in 1985/86 are forecast at about 25 million tons, little changed since 1982/83. Canadian exports are expected to pick up from 1984/85, when limited barley production reduced international sales. Australian sales will likely fall somewhat, but remain high. [James Cole (202) 447-8857]

Oilseeds

The 1984/85 crop year has been characterized by sharply lower soybean prices, large world oilseed supplies, and weak soybean meal demand. Vegetable oil demand has remained strong, especially in the United States. U.S. exports of soybeans and soybean meal are below a year earlier and are facing considerable competition from South American exports.

In 1985/86, world oilseed output may decline slightly. Demand for U.S. soybeans and soybean meal will likely improve, but slow growth in world livestock will limit gains.

1985/86 Output To Slip

World oilseed production in 1984/85 increased 21 million tons, mainly because of large yield increases in many countries, notably sunflowerseed in Argentina, soybeans in Brazil, and peanuts and cottonseed in China.

International commodity prices

Year	Wheat				Corn		Soybeans		Soyoil		Soymeal 44%	
	U.S. 1/	Arg. 2/	Can. 3/	Aust. 4/	U.S. 5/	Arg. 2/	U.S. 6/	U.S. 7/	U.S. 7/	Hamburg 8/		
Dollars per metric ton												
1975	149	147	181	167	122	126	210	559	141	162		
1976	134	128	149	147	115	114	223	414	179	203		
1977	105	100	116	113	98	93	271	524	212	240		
1978	131	126	134	119	105	102	259	565	189	226		
1979	162	159	171	142	118	117	278	610	160	254		
1980	176	203	192	175	129	159	272	522	217	271		
1981	176	190	194	175	135	139	272	464	223	269		
1982	161	166	165	160	110	109	233	404	197	233		
1983	158	138	167	161	137	133	269	518	222	255		
1984	153	135	166	153	138	132	271	678	184	210		
1985												
Jan.	149	110	164	153	121	108	231	633	150	175		
Feb.	148	111	164	150	120	106	228	649	139	163		
Mar.	146	114	164	149	122	109	231	691	139	171		
Apr.	146	113	174	148	122	110	231	751	130	174		
May 9/	139	112	172	145	118	109	222	715	123	165		

1/ No. 2 hard winter, ordinary protein, f.o.b. Gulf ports. 2/ F.o.b. Buenos Aires. 3/ No. 1 western red spring, 13.5% protein, in store Thunder Bay. 4/ July-June crop year, standard white, f.o.b. selling price. 5/ U.S. No. 2 yellow, f.o.b. Gulf ports. 6/ No. 3 yellow, f.o.b. Gulf ports. 7/ Decatur. 8/ F.o.b. ex-mill. 9/ Preliminary. NA = not available.

Oilseed production is likely to decline slightly in 1985/86, but U.S. soybean production could rise, based on farmers' planting intentions and average yields. Large beginning stocks combined with higher output would increase supplies nearly 8 percent from 1984/85. Foreign production of oilseeds could decline slightly.

Meal Demand To Remain Low

The outlook for 1985/86 is not especially bright for protein meals, although U.S. soybean meal use is expected to rise somewhat.

In recent months, EC imports of soybean meal and tapioca rose sharply. However, most of the newly imported soybean meal was purchased from Argentina and Brazil, rather than the United States. As the 1985/86 year approaches, South American supplies may dwindle, the limit on tapioca imports may be reached, and imports may slow.

Soviet soybean meal use has declined, and the Soviets have purchased virtually no soybean meal this year, despite a lack of feedstuffs and low soybean meal prices. For the coming year, increased domestic grain production and lower grain imports suggest that additional resources may be allocated to soybean meal imports.

East Asia May Increase Soybean Imports

East Asia's sustained economic growth has led to some growth in livestock output. Most of this region's imports are from the United States. However, the change in U.S. grading standards for soybeans initially triggered a strong reaction from Asian crushers, especially with regard to 1984/85 crop conditions. Japan has purchased more South American soybeans; other countries may do the same. Taiwan has agreed to import small quantities of Paraguayan and Uruguayan soybeans, perhaps in response to the change in U.S. grading. In addition, Japan's fish catch increased in 1984/85, which, along with larger rapeseed imports for protein meal and vegetable oil needs, supplemented the nation's protein availabilities.

Mexico and Venezuela are expanding markets for U.S. soybean meal in 1984/85 and may continue this growth during the coming crop year. These countries may be stocking up while prices are low, especially in light of Mexico's reassignment of purchasing to private enterprise. Venezuela may be responding to low feed prices and expanding meat production.

Oil Prices Remain High

In 1984/85, prices have declined sharply for soybeans and soybean meal, while soybean

Soybeans and products: Production, consumption, and net exports

Country	1983/84			1984/85 F		
	Prod.	Cons.	Net exp.	Prod.	Cons.	Net exp.
Million metric tons						
Soybeans						
Major exporters						
U.S.	44.52	26.75	20.21	50.64	27.62	17.96
Brazil	15.20	12.51	1.59	16.70	12.50	3.15
Arg.	6.77	2.98	2.97	6.60	3.70	.60
China	9.76	3.75	.70	9.70	3.63	.92
Major importers						
EC-10	.09	9.13	-9.32	.14	9.57	-10.00
Japan	.22	3.83	-4.73	.24	3.90	-4.70
Spain	0	2.60	-2.60	.01	2.10	-2.10
E. Eur.	.61	1.36	-.84	.80	1.35	-.67
Mexico	.60	1.95	-1.44	.55	2.00	-1.55
Taiwan	.01	1.15	-1.36	.01	1.15	-1.40
USSR	.56	1.35	-1.00	.43	1.09	-.85
Residual	3.99	5.29	-4.18	4.88	6.11	-1.36
World	82.33	72.65		90.70	74.72	
Soybean meal						
Major exporters						
U.S.	20.65	15.98	4.13	22.01	17.51	4.13
Brazil	9.70	1.69	7.71	9.70	1.80	8.20
Arg.	2.37	.14	2.60	2.90	.17	2.60
Major importers						
EC-10	7.30	14.64	-7.08	7.64	14.13	-6.55
E. Eur.	1.07	4.54	-3.27	1.07	4.33	-3.27
USSR	1.03	1.53	-.60	.83	1.43	-.60
Japan	2.96	3.03	-.18	3.01	3.17	-.10
Mexico	1.42	1.44	-.05	1.46	1.52	-.10
Residual	10.36	14.02	-3.26	10.56	14.86	-4.31
World	56.86	57.01		59.18	58.92	
Soybean oil						
Major exporters						
U.S.	4.93	4.35	.83	5.14	4.42	.75
Brazil	2.35	1.52	.94	2.34	1.56	.78
Arg.	.49	.07	.43	.61	.07	.52
EC-10	1.64	1.29	.41	1.69	1.31	.38
Spain	.46	.03	.50	.37	.01	.33
Major importers						
India	.09	.74	-.75	.12	.67	-.45
Pak.	0	.27	-.28	0	.27	-.25
E. Eur.	.24	.41	-.18	.23	.39	-.16
Iran	.02	.32	-.32	.02	.35	-.35
Morocco	0	.18	-.16	0	.18	-.16
Residual	2.75	4.06	-1.42	2.83	4.22	-1.39
World	12.97	13.24		13.35	13.45	

For soybeans, consumption refers to crush. Trade and consumption on marketing year except for Brazil and Argentina which are on an October-September year. F = forecast.

oil prices have stayed high. Soybean oil has contributed over half the crushing value of the products, which is unusual. Therefore, the key factors shaping the 1985/86 price outlook are whether vegetable oil markets will remain tight and how much protein meal demand strengthens.

Palm oil plays a significant part in the world vegetable oil market. Through April, monthly output in Malaysia suggests production of 3.9 million tons for 1984/85.

However, the monthly output is up only .6 million tons from a year earlier, suggesting a less robust recovery than previously expected.

Palm oil production peaks seasonally in the summer, and increased availability may ease the tight vegetable oil supply situation in coming months. The oil balance for the United States is more acute, and U.S. prices are significantly higher than global prices. Reports of U.S. soybean oil imports from Brazil further highlight the distortion in U.S. supplies and prices. The strong price for soybean oil may lead to larger Brazilian exports despite large domestic needs. Brazil may attempt to maximize earnings now and import soybean oil later. [Jan Lipson (202) 447-8855]

Meat

Global per capita meat consumption rose 1 percent to 53.2 kilograms in 1984 because of increased pork and poultry consumption. Beef and veal, lamb, mutton, and goat per capita consumption remained the same as in 1983. This year, per capita meat consumption will likely remain unchanged. Poultry meat will continue to expand, but beef and pork could decline slightly.

Beef Unchanged

After declining for many years, global beef and veal per capita consumption leveled off in 1984. The downward trend in beef consumption is forecast to resume in 1985.

Per capita beef consumption in the United States remained about the same in 1984 as the year before. Although production rose, lower imports and higher exports held the rise in consumption to the population growth rate. This year, beef output is expected to decline 3 percent. With no change in imports and continued higher exports, per capita consumption could fall 3 percent.

Dairy cow slaughter rose substantially in the EC last year, due to EC efforts to control dairy surpluses. Although beef consumption increased somewhat, most of the increased slaughter was put into stocks or exported. This year, beef production is forecast to decline slightly, but record stocks will allow exports to increase, and per capita consumption to rise marginally.

Per capita beef and veal consumption 1/

Country	1981	1982	1983	1984 2/
Kg., carcass wt.				
United States	48.2	48.1	49.0	49.0
Canada	42.2	42.2	41.8	40.6
Mexico	17.8	18.8	16.2	17.0
Argentina	83.7	70.4	66.2	76.8
Brazil	15.3	16.1	14.5	13.4
EC-10	24.8	23.9	27.6	24.3
USSR	26.2	26.0	24.0	27.5
Japan	5.3	5.5	5.8	6.1
Australia	48.4	48.4	41.3	40.4
52-country average 3/	16.7	16.5	16.3	16.3

1/ Based on available data as of April 1985.

2/ Preliminary. 3/ Countries included in FAS biannual circulars on livestock and poultry.

Beef consumption increased substantially in Argentina during 1984, in response to larger marketings and lower domestic prices. Per capita beef consumption in Brazil dropped in 1984, as herd expansion reduced slaughter. In addition, exports took a larger share of output and reduced consumer purchasing power dampened demand for meats. During 1985, per capita consumption is forecast to continue upward in Argentina, but probably fall further in Brazil.

Although Soviet beef production rose last year, imports were down, resulting in little change in per capita consumption. Consumption could be up this year; slaughter has been higher on state and collective farms during the first 4 months and there is always a possibility of higher imports.

Pork Consumption Gains

Global per capita pork consumption increased last year, but with considerable variation among individual countries. Feed costs remained high until late 1984 and producers in some areas, caught in a severe cost-price squeeze, cut back. A prime example was the United States, where consumption declined slightly even with increased imports. Although current lower feed costs should encourage some U.S. expansion, lackluster returns and financial stress have caused producers to continue reducing herds. Thus, consumption is forecast to decline again this year.

Although several countries witnessed a decline last year, EC pork consumption

Per capita pork consumption 1/

Country	1981	1982	1983	1984 2/
Kg., carcass wt.				
United States	31.9	28.7	30.2	30.0
Canada	30.1	27.9	28.7	27.9
Mexico	11.8	13.7	15.0	12.1
EC-10	34.0	34.4	34.8	34.9
Germany, Fed. Rep.	49.8	49.6	50.4	50.9
France	34.5	34.4	34.5	34.8
Netherlands	38.5	39.1	37.2	37.3
Germany, Dem. Rep.	62.4	58.1	62.6	70.9
Poland	39.8	42.5	39.0	35.7
USSR	19.9	19.9	21.5	21.8
Taiwan	28.5	27.4	29.7	34.0
Japan	13.8	14.0	13.9	14.2
37-country average 3/	19.3	19.2	19.8	20.0

1/ Based on available data as of April 1985.

2/ Preliminary. 3/ Countries included in FAS biannual circulars on livestock and poultry.

increased and should continue up in 1985. France increased slaughter last year in response to low market prices and higher feed costs. With lower beginning inventories, production and consumption should drop in 1985. The Federal Republic of Germany had more favorable returns in 1984 than 1983 and continued to build inventories and increase output. Consumption should rise again this year.

The USSR has been plagued by tight feed supplies that resulted in only modest gains in output and per capita consumption of pork last year. With increased slaughter, consumption could rise again this year. East Germany's consumption advanced last year as overall feed output was favorable, and production of feed potatoes and beets was very good. Inadequate feed supplies in 1983 caused a reduction in Poland's swine herds and consumption declined. Herds are now recovering and consumption is expected to increase this year.

Consumption of pork increased in Japan in 1984. Output remained about the same as in 1983, but imports reached a record. With greater output in 1985, imports should decline and consumption rise.

Poultry Continues To Gain

Per capita consumption of poultry meat continued to increase in almost all countries.

Per capita poultry consumption 1/

Country	1981	1982	1983	1984 2/
Kg., carcass wt.				
United States	28.5	29.1	29.6	30.5
Canada	22.6	22.7	23.4	24.1
Mexico	7.7	7.8	7.2	7.3
Brazil	9.5	10.1	9.8	8.9
EC-10	13.6	14.1	14.5	14.6
Italy	16.9	17.5	17.5	17.0
France	16.5	16.5	17.3	17.3
Spain	23.7	22.6	21.6	21.1
Poland	12.3	5.9	5.6	6.9
USSR	9.4	9.9	10.3	10.5
Hong Kong	21.9	22.9	21.1	22.4
Japan	10.5	11.1	11.4	11.8
44-country average 3/	14.1	14.3	14.6	14.8

1/ Based on available data as of April 1985.

2/ Preliminary. 3/ Countries included in FAS biannual circulars on livestock and poultry.

The notable exception was Brazil, where lower purchasing power weakened demand. U.S. poultry consumption continues to gain. Reduced supplies of other meats and expanding poultry production will boost U.S. consumption again this year.

Tight feed supplies in the Soviet Union reduced output expansion in 1984 to a slower pace than in earlier years. Hungary experienced a drop in per capita consumption of poultry meat because of feed allocation difficulties. On the other hand, Poland was able to allocate more imported grain to the broiler industry and consumption rose substantially for the first time since the precipitous drop in 1981.

Little growth occurred in EC per capita poultry consumption in 1984 as high feed prices limited output gains. Increased competition from other meat and sluggish economic growth also restrained demand. Limited gains are expected this year. Japan's consumption continued to climb last year as stable feed prices encouraged production gains. Continuing increases in output will account for this year's forecast increase in consumption. [Linda M. Bailey (202) 447-4863]

Cotton

Cotton Supplies To Remain Excessive

Foreign cotton production is forecast to decrease about 10 percent in 1985/86.

Cotton: Production, consumption, and net exports

Country	1983/84			1984/85 F		
	Prod.	Cons.	Net exp.	Prod.	Cons.	Net exp.
Million 480-lb. bales						
Major exporters						
U.S.	7.8	5.9	6.8	13.0	5.3	6.5
USSR	12.3	9.3	2.7	11.7	9.5	2.2
Pakistan	2.2	2.0	0	4.6	2.3	1.2
Egypt	1.9	1.3	.8	1.8	1.4	.4
Turkey	2.4	1.8	.5	2.7	1.8	.6
Cent. Amer.	.8	.1	.6	.8	.1	.6
Sudan	1.0	.1	1.1	.9	.1	1.0
Brazil	2.6	2.4	0	3.9	2.6	.4
Mexico	1.0	.5	.5	1.3	.6	.6
India	6.0	6.5	.3	7.0	6.9	.2
China	21.3	16.0	.6	27.9	16.5	1.1
Major importers						
W. Europe	.7	5.7	-4.7	.9	5.8	-4.7
Japan	---	3.3	-3.3	---	3.3	-3.3
E. Europe	.1	3.5	-3.3	.1	3.6	-3.5
S. Korea	---	1.6	-1.6	---	1.6	-1.6
Taiwan	---	1.2	-1.2	---	1.2	-1.2
Hong Kong	---	.8	-.8	---	.7	-.8
Residual	7.7	6.6	1.0	8.3	6.6	.3
World	67.8	68.6		84.9	69.9	

Year beginning August 1. Consumption is mill use.
--- = negligible. F = forecast.

Nevertheless, world ending stocks will rise again as supplies exceed disappearance. The production decline will come mainly from China's planned reduction in output. U.S. production is projected at 12 million bales, down 8 percent from 1984/85.

World consumption is expected to rise 1 to 2 percent in 1985/86. While slower economic growth may limit expansion, weak prices, fashion trends, and credit guarantees will stimulate use. U.S. mill use will continue to decline, unless legislation is passed curbing textile imports. Retail sales of cotton products in the United States could expand 2 to 3 percent during 1985/86, due to economic growth and improvements in cotton's share of the retail market. But, U.S. cotton textile exports are expected to remain stable and imports could rise 6 percent, causing the cotton textile trade deficit to widen further. This will probably force U.S. mill use down approximately 5 percent.

World cotton trade may remain close to 1984/85's 20.8 million bales. Major foreign producers are likely to increase consumption more than importers, thereby limiting trade volume. Competition for shares in a limited market will remain fierce. U.S. exports of short- and medium-staple lengths should fall

substantially because of increased supplies from Pakistan and China and relatively high prices.

World ending stocks may continue to grow, led by gains in China and the United States. Foreign stocks will continue to expand and will be held primarily by exporting countries. Since 1979/80, ending stocks held by net exporting countries have advanced from 72 percent to 86 percent of world stocks.

Record 1984/85 Crop

A myriad of factors led to the 17-million-bale gain in world production in 1984/85. Acreage was the highest in more than 30 years and yields were record large. Many raw cotton exporters increased grower incentives to insure adequate exportable supplies for foreign exchange. Also, production incentives led to increased output in major textile exporting countries such as China, Pakistan, India, and Brazil. In addition, cotton enjoyed a price advantage relative to other crops this year, and good weather in many major producing countries helped boost yields.

World mill use is expected to expand 1.2 million bales, with a 1.8-million-bale increase in the foreign sector offsetting a 600,000-bale decline in the United States. Consumption in China alone is up about 500,000 bales. Foreign consumption outside China will rise because of rising incomes, expansion of non-Chinese foreign cotton supplies, and population growth.

Foreign Exports Up 13 Percent

Exports are up sharply in Brazil, Pakistan, and China this year. Total foreign exports are expected to rise 1.7 million bales from 1983/84. Low carryin stocks, increased demand for natural fibers, and global economic vitality are some of the reasons for the increase. However, some countries' exports will decline. Net exports (exports minus imports) from the USSR will decline 700,000 bales to 2 million. Egypt will also decrease its net exports from 780,000 bales to 300,000.

Importers Demand U.S. Long Staple

U.S. exports are estimated at 6.5 million bales, down only 300,000 from last year.

While below 1983/84, this year's exports will still be 6 percent above the 1980-83 average. The relative strength of U.S. exports is supported by an increased supply and good foreign demand for long-staple, high-quality cotton. Foreign production outside China showed only a marginal increase in the long-staple varieties. Between 1978/79 and 1984/85, staple lengths greater than 1-1/8" grew as a percentage of total U.S. cotton exports. In 1978/79, only 13 percent of U.S. exports were long staple, with 54 percent composed of cotton with staple lengths of 34/32" to 35/32". This year, staple lengths of 1-1/8" or greater are estimated to be 64 percent of total exports, and those of 34/32" to 35/32" may account for only 13 percent. Relatively high prices for short- and medium-staple U.S. cotton, supported by the loan rate, continue to erode U.S. exports of those types. [Richard Cantor (202) 447-8054]

Cocoa and Chocolate

Record 1984/85 Cocoa Crop

The February estimate of world cocoa bean production during 1984/85 (October/September) is 1.81 million tons, 18 percent larger than last year's crop and 17 percent more than the 1982/83 crop. Output increased 14 percent in Africa (54 percent of world production), 27 percent in South America (30 percent of world production), and 25 percent in Asia and Oceania (10 percent of the world total). Cocoa output in North America increased 5 percent. The bumper crop reflects favorable growing conditions in West Africa and South America, and new plantings in Malaysia. Since the February forecast, estimates for the Ivory Coast and Cameroon have been increased 50,000 and 5,000 tons, respectively.

The world cocoa grind is forecast at 1.71 million tons in calendar 1985, slightly higher than last year's record 1.7 million. The record grind reflects improved global economic conditions, more abundant cocoa supplies, and lower prices for cocoa beans.

The grind increased in calendar 1984 in Canada, Japan, and most EC countries. The U.S. grind also increased, along with imports of semiprocessed and consumer cocoa and chocolate products. U.S. cocoa supplies are

even more plentiful this year. The February forecast indicated world cocoa stocks for 1984/85 would increase nearly 80,000 tons over 1983/84. This increase is the first since the recent two drawdowns of 121,000 tons in 1982/83 and 186,000 in 1983/84.

Cocoa Prices Beginning To Weaken

New York cocoa bean prices (the average of daily closing prices for the nearest 3 active futures trading months on the Coffee, Sugar, & Cocoa Exchange, Inc.) averaged \$1.06 a pound in calendar 1984, up from 92 cents in 1983. Prices averaged just under a dollar a pound for the first 5 months of 1985 and may average lower for the rest of the year. Early prospects suggest the 1985/86 world cocoa crop will likely approximate the recent 1984/85 harvest. With prospects for another large crop this year, cocoa prices are expected to average less than a dollar per pound in calendar 1985. [Fred Gray (202) 447-7290].

REGIONAL DEVELOPMENTS

United States

Farmers in the Corn Belt were able to plant crops early this spring and moisture conditions have been average or better. Total plantings may be down a little, but crop production will again be large if weather conditions remain favorable. Since use of grains, oilseeds, and fibers is rather lackluster this season and prospects for a quick turnaround are not likely, large crops would probably lead to a continued buildup in stocks in 1985/86. Crop prices may stay near loan rates.

Meat production in the first half of 1985 was a little larger than during 1984, with slight declines in red meats more than offset by a moderate increase in poultry production. By fall, declines in beef and pork will outweigh continued gains in poultry. As a result, livestock prices, which have been running below a year earlier, will rise some in the second half. Higher prices for livestock, along with low feed costs, will encourage pork producers to expand farrowings next year, but cattle feeding may stay low through the fall.

Lower crop and livestock prices will hold down cash receipts in 1985. Production

expenses also will be held in check, reflecting fewer acres planted and a small increase in input prices. This combination of events will make the cash flow situation of most farmers about like it has been in recent years. However, net farm incomes, which reflect the value of the inventory change, will decline. [Donald Seaborg (202) 447-8376]

Canada

Grain Area To Expand

Low grain stocks have prompted Canadian farmers to increase grain area, according to Canada's spring planting intentions report. Wheat area is expected to increase to 13.7 million hectares, the largest ever. An expansion in area planted to winter wheat, which performed well during last year's drought, accounted for most of the increase. However, there are reports of extensive winterkill, and some area has been reseeded.

Tight feed supplies and high local prices have led to a 10-percent rise in planting intentions for coarse grains. Relative prices favor barley over wheat and rapeseed. Rapeseed area will likely decline after 3 years of expansion. Despite low stocks, rapeseed prices are below a year ago.

Growing Conditions Favorable

Moisture conditions are much improved from last year. Seeding was completed early in the southern areas, although delays occurred in the wetter northern areas. Average yields for grains and oilseeds should improve from last year's dismal performance. However, severe infestations of grasshoppers are expected in the southern areas.

Prior to seeding, the Canadian Wheat Board announced lower initial prices for wheat, barley, and oats. These lower prices, combined with wet conditions in northern growing areas, could mean oilseed area will increase and coarse grain area will decline from the intentions report.

Hog Producers Subsidized

In June, the U.S. Department of Commerce made a final determination that

Canadian pork and live hog exports are being subsidized. The temporary bonding requirements that were imposed in late March were raised on pork, but lowered for live hogs. A final ruling on injury to the domestic industry will be made in July.

Canadian hog prices have fallen sharply since the preliminary announcement. But live hog exports continue high and through April were 61 percent higher than last year. Pork exports are up about 20 percent. Even if the duties become permanent, Canadian exports are likely to stay high for the rest of 1985. [Carol A. Goodloe (202) 447-8376]

Western Europe

Agricultural Output To Decline in 1985

Western Europe's record 190-million-ton wheat and coarse grain crop of 1984 will not be matched this year, although a large crop of 176 million tons is expected. In the European Community, wheat production is forecast at 69 million tons, compared with 76 million in 1984. Coarse grain production is expected to be 4 million tons below 1984's record 75-million-ton harvest. Lower yields this year are due to cold, wet weather that delayed spring sowing and damaged winter grains in some regions.

Milk production in Western Europe is also expected to decline in 1985. The EC's milk delivery quotas have resulted in an increase in cow cullings and lower feeding rates and milk yields. Poor pasture conditions in some countries also contributed to reduced milk output in 1984. The 1985 outlook is for EC milk output to decline from 109 to 107 million tons. More fluid milk is likely to be channeled to cheese rather than butter production as per capita cheese consumption and export sales have been increasing.

Western Europe's beef and veal production reached a record 8.6 million tons in 1984 and is expected to remain high in 1985. Slaughter rates have been high in the EC in response to the milk quota program.

Pork production may continue to rise in 1985 since feed costs should be relatively low. In Denmark, one of the EC's major exporters of pork products, expected growth in exports

and larger profit margins for pig producers should result in greater output.

Poultry and egg output could recover modestly in 1985, reflecting better cost/price relationships. Nevertheless, weak domestic and export markets are likely to restrain producer incentives to expand operations.

U.S. Farm Exports Continue To Decline

U.S. agricultural exports to Western Europe are forecast to decline 18 percent to \$7.6 billion in fiscal 1985, the lowest value in 8 years. In both the EC and Other Western Europe, sharp declines in the total export value of wheat, feed grains, and oilseeds are largely responsible for the declines, although exports of other products will also fall.

The volume of U.S. soybeans exported to the EC is expected to decline in fiscal 1985 because of high prices relative to South American suppliers, reduced compound feed consumption, and greater use of domestically produced grains and pulses in rations. Shipments, forecast at 6.5 million tons, have declined each year since 1982 when they peaked at 11.6 million. Sunflower and rapeseed meal and feed peas and beans are likely to become more important feed substitutes for soybean meal in the EC during the balance of the 1980's.

U.S. tobacco exports to the EC are expected to be slightly above fiscal 1984 due largely to improved quality. The value of U.S. cotton exports is likely to exceed last year's by 15 percent, reflecting an upswing in both industrial and consumer demand.

EC Increases Wheat Export Subsidies

Fluctuations in dollar exchange rates and increased competition from low-priced Argentine wheat have had an important influence on this season's international wheat market. Consequently, in November 1984, the EC began to include other world market wheat prices, along with U.S. wheat prices, in calculating its wheat export subsidies. Partly because of this change, EC export subsidies increased from about 21 European Currency Units (ECU's) per ton in January to over 39 ECU's per ton in May. The higher subsidies have enabled the EC to continue to sell on world wheat markets. The USSR, Eastern

Europe, China, and the Middle East have become important outlets for Community wheat in recent years.

EC Adopts Partial 1985/86 Price Package

On May 16, 1985, the EC Council of Ministers announced the adoption of a partial 1985/86 farm price package, following many delays since talks began in early March. West German objections to a cut in grain support prices and the proposed elimination of intervention programs for bread-making wheat resulted in postponement of a decision on grains until June. This is the first time the EC has not reached a decision on the entire price package at one time.

The 1985/86 EC farm price package is strongly colored by the Community's need to curb agricultural support costs. Farm spending (\$15 billion in 1984) accounts for an excessive two-thirds of the entire EC budget. The need for budget constraints caused a sharp turnaround in EC policy in 1984 with the introduction of milk delivery quotas. The EC Commission's proposal to reduce price supports in 1985/86 for grain and selected other products was a continuation of its efforts to contain expenditures.

Although the West Germans support the necessity to reduce budget costs, they also argue that their farmers require high grain prices because their farms are smaller and less productive than those in other member states such as France. Because of these differences, the Commission's austerity price package has been weakened and its professed intention to reduce grain prices towards lower world prices has been frustrated. [Marshall H. Cohen (202) 447-8289]

Australia

In most grain and livestock areas, dry summer weather extended into autumn. Rains in late May and June have allowed planting of winter grains, but subsoil moisture supplies remain deficient.

Wheat area could be the second largest ever, around 12.6 million hectares. With early dry conditions, yields are not likely to approach the exceptional levels of the past 2 years. Production is forecast at 17 million

tons, compared with 18.7 million last year and 21.8 million in 1983/84.

Coarse grain area may be record large in 1985/86, with barley and oats area forecast to increase. Production may decline slightly from last year's 8.6 million tons.

Livestock Herds Rebuilding

With cattle numbers up slightly, slaughter may increase about 4 percent in 1985. However, the past summer's dry weather will result in lower average slaughter weights, so beef and veal production is expected to increase 2 percent. Prices are improving, mostly because of the declining value of the Australian dollar relative to the U.S. dollar. Assuming normal weather, cattle numbers should continue to expand this year, and beef and veal production will likely increase slightly in 1986.

First-quarter sheep and lamb slaughter jumped 18 percent from a year earlier, and slaughter for all of 1985 is likely to rebound from the low levels of the past 2 years. Sheepmeat production may be up almost a fifth. Due to larger production and very weak domestic and export demand, prices are expected to remain depressed at least through 1986. A further small gain in slaughter and production is forecast for next year.

Policy Changes for Dairy

New marketing arrangements for dairy products will be implemented in 1985/86. The

Australian meat production and consumption

Commodity	1976-80 average	1983	1984	1985 F
1,000 metric tons				
Beef & veal				
Production	1,897	1,389	1,241	1,270
Consumption	906	630	625	620
Exports	996	767	575	630
Sheepmeat				
Production	542	453	436	521
Consumption	296	292	312	325
Exports	248	177	90	140
Pork				
Production	202	246	255	247
Consumption	199	242	254	246
Poultry meat				
Production	251	312	292	320
Consumption	243	306	300	315

F = Forecast.

purpose is to decrease production, which has risen well above domestic use and beyond profitable exports. During the transition period, a levy will be assessed on all milk to support export returns. [Sally B. Byrne (202) 447-8376]

Japan

U.S. Farm Exports Drop

U.S. agricultural exports to Japan are forecast to fall from fiscal 1984's record \$6.9 billion to \$6.1 billion this year. Weaker commodity prices and lower projected sales of wheat, feed grains, soybeans, and some animal products are responsible. U.S. feed grain exports are expected to fall behind last year's record 15.7 million tons due to reduced corn shipments. The U.S. share of Japan's corn imports will fall because of keen competition from China in 1985. At the same time, U.S. sorghum sales to Japan soared during the first 6 months of fiscal 1985, reflecting sorghum's price advantage over corn. However, this price advantage is expected to diminish as sorghum prices are bid up. The absence of significant sorghum exports from Argentina, which has been supplying the Soviet market, will bolster the U.S. share of Japan's feed grain imports.

U.S. wheat exports to Japan are forecast to decline slightly from fiscal 1984, and U.S. soybean sales will stay below last year's 4.23 million tons, hurt by continued sluggish demand for soymeal and competition from South American soybeans. On the other hand, U.S. cotton exports are projected to be up slightly. Except for beef and veal, U.S. animal product exports are forecast to decline. Sales of pork and poultry meat are threatened by increased competition from other suppliers.

Livestock Production and Imports Slow

Growth in Japan's livestock sector will be modest in 1985, restrained by weak demand for livestock products. After expanding 8 percent in 1984, beef and veal output is forecast to decline because of reduced cattle slaughter, but pork production is expected to expand after almost no growth the year before. Broiler output is likely to slow from a 7-percent gain in 1984 to 3 percent in 1985.

Japan's beef and veal imports will increase in 1985 in accordance with the U.S.- Japan understanding. But pork imports are likely to decline from last year's record 196,000 tons (product weight), as domestic production expands. Poultry meat imports will remain steady, with continued strong growth expected in demand for processed chicken products. [Lois Caplan (202) 447-8860]

Other East Asia

The value of U.S. farm exports to other East Asia (South Korea, Taiwan, and Hong Kong) is forecast to drop in fiscal 1985 to \$3.2 billion, compared with \$3.6 billion the previous year. The decline is due to lower prices and decreasing export volumes of coarse grain and cotton. U.S. wheat exports are expected to be close to last year's, while there may be some increase for soybeans.

U.S. Sales Hit by Chinese Competition

U.S. coarse grain exports to other East Asia are expected to be down almost 1 million tons in fiscal 1985 to around 5 million tons because of competition from China and relatively stable import demand. A forecast 22-percent increase in sales to Taiwan will be more than offset by an expected halving of sales to South Korea because of competition from Chinese corn. U.S. sales are likely to pick up during the second half because of less competition from Australian feed wheat, stocks of which are reported to be nearly depleted.

Coarse Grain Imports Stabilize

Regional coarse grain imports probably will show little growth this fiscal year. Modest increases in livestock feeding and some increases in stockholding demand will be offset by the use of government-released barley in South Korea and rice in Taiwan. Taiwan subsidized the use of 250,000 tons of rice during June 1984-March 1985 and has earmarked an additional 400,000 tons for April-December 1985. The increase in feed use of surplus rice resulted from a sharp reduction in import demand for Taiwanese rice in its principal market, Indonesia. [William T. Coyle (202) 447-8229]

Gross agricultural production in the USSR in 1985 is expected to increase moderately over last year and reach a record high. Livestock production will probably increase only modestly—roughly 2 percent—but production of grain, cotton, oilseeds, and roughages should rebound more strongly following last year's weather-related harvest shortfalls.

Grain Crop Expected Up

Barring weather problems comparable to those that dominated large areas of the grain belt in 1984, Soviet grain production is expected to increase this year. Total grain area is estimated at 120 million hectares, roughly unchanged from last year's 119.6 million. Yields are expected to be higher. Winter grains, which normally yield roughly 50 percent more than spring grains, were in better shape coming out of dormancy this spring than last and winter grain area is estimated to be slightly larger. Spring grain sowing got off to a late start and continued to lag into mid-May. The late start could pose problems because it increases the chances of the crop heading during hot and dry weather. With timely rain in June and July, though, the 1985 Soviet grain crop could be the largest since 1978.

The anticipated larger grain outturn will result in lower Soviet grain imports in 1985/86. With the 1985 grain crop estimated at 195 million tons, imports of 37 million tons allow for some stock rebuilding and, in conjunction with anticipated increases in production of nongrain feeds, record feed supplies. In the last 15 years, the Soviets have significantly added to stocks only following bumper harvests. If the 1985 harvest turns out larger than 195 million tons, the impact on imports would likely be moderated by a desire to add more significantly to stocks. If grain prospects deteriorate in coming months, probably no stockbuilding will occur. The Soviets would have difficulty, though, cutting back on domestic grain use in the face of a poor harvest. This is particularly true because of the renewed emphasis on meat production in Soviet agricultural and food policies adopted in the last few years.

Soviet meat production is projected to increase nearly 3 percent over 1984's 16.7 million tons. Growth rates for both milk and eggs are expected to be closer to 1 percent. Beef and veal production on state and collective farms during the first 4 months of 1985 was 7 percent higher than in January-April 1984. Meanwhile, cattle numbers have been maintained at record levels. This would indicate continued good performance with average cattle slaughter weights or finishing times. Though nongrain feed supplies were estimated down slightly during 1984/85 (July/June), they remained the second highest on record.

Milk production on state and collective farms during January-April 1985 was off 0.5 percent, probably reflecting a shortage of feed and unusually severe weather early in the year. Emphasis in the dairy sector has been on increasing milk yields rather than cow numbers. With a good feed harvest in 1985, milk production could be up slightly from 97.6 million tons in 1984.

Despite record grain imports in 1984/85, feed availability for hogs has apparently been insufficient. Since December 1, a larger-than-normal drawdown in hog inventories has been underway on state and collective farms. This allowed a 5-percent increase in pork production in the first 4 months of 1985, but the growth rate is likely to slacken during the rest of the year. Increases in poultry inventories since last fall have been well below average for recent years. However, poultry meat production continues to run nearly 8 percent ahead of 1984. Apparently, the poultry sector continues to receive higher priority from central planners than hog raising.

Egg production is projected to increase only 1 to 1.5 percent in 1985. Eggs are the only major livestock product whose production is running ahead of Soviet medium-term goals. For this reason, more rapid growth in egg production is not likely to be stressed in the next year or two. [Edward C. Cook (202) 475-4508]

Eastern Europe

Grain production in 1984 reached an alltime high of 114 million tons. Oilseed production also posted a record, just under 5 million tons. Another alltime high for the region was sugarbeet production, which totaled over 50 million tons. Livestock numbers remained virtually unchanged; however, total meat output rose to 12 million tons.

Prospects for 1985 Less Optimistic

The bumper grain crop of 1984 is not likely to be repeated this year. Although the winter grain crop germinated well and went into dormancy with adequate snow cover in most areas, winterkill was high, especially in Bulgaria and Romania. Farmers in these countries were forced to reseed large areas to lower yielding spring crops. Furthermore, spring sowing of grain was delayed 2 to 4 weeks in almost all countries because of the unusually prolonged winter and a cold, rainy period in April and May. In contrast to 1984's record yields, only average yields are forecast for 1985, not only because of the bad winter and spring weather, but also because of the probability that harvesttime weather will not be as ideal as in 1984. Total grain production in 1985 is officially estimated at around 106 million tons, however, this figure is an early season projection, and final production could fluctuate by 5 million tons.

Little change is expected in total oilseed production. While rapeseed production is likely to decrease due to a reduction in the area harvested, increases are predicted for sunflower production (because of progress in combating the fungal disease *Phomopsis*) and for soybean production. Sugarbeet production may increase this year as planted area is planned to expand slightly.

Continuing emphasis on self-sufficiency will restrain growth in livestock production. All countries will use last year's bumper harvests to reduce feed imports rather than significantly increase meat output. Furthermore, except for Poland, most countries are stressing cattle production to reduce dependence on imports of feed concentrates.

Eastern Europe's overall merchandise trade surplus rose again last year, despite increased imports by most East European countries. However, while the countries managed to increase hard currency reserves, they continued to run deficits in their trade with members of the Council for Mutual Economic Assistance (CEMA).

During calendar 1985, total grain imports are expected to fall to 6.6 to 6.9 million tons, and exports should increase, possibly to 7.0 to 7.3 million, because of the bumper 1984 harvest. Soybean imports are expected to decline and meal imports are forecast to be roughly the same as in 1984. Meat exports could increase in volume, but the rise in revenue may not be proportional because world prices remain depressed.

U.S. Exports Continue Decline

The value of direct U.S. agricultural exports to Eastern Europe last year was down 10 percent from 1983, due mainly to hard currency constraints and the resulting emphasis on countertrade and import substitution. In 1985, U.S. exports are projected to fall still further because of last year's record grain and oilseed crops. In fiscal 1985, U.S. agricultural exports to Eastern Europe are forecast at \$650 million, down 11 percent from 1984. During October 1984-March 1985, they totaled \$367.4 million, down 7 percent from a year earlier.

U.S. wheat exports to the region are likely to be nonexistent and coarse grain exports will likely fall from fiscal 1984's already low level of 902,000 tons. Exports of soybeans to Eastern Europe, of which the United States is the primary supplier, are also expected to fall as overall demand for imports drops. However, some increase in soybean meal exports and a significant rise in cotton exports are expected this year because of continued CCC credit guarantees to Yugoslavia and Hungary. For fiscal 1985, Yugoslavia has been allocated \$170 million and Hungary \$31 million of credit guarantees, which mainly cover U.S. exports of cotton, hides and skins, soybean meal, and soybeans. [Christian J. Foster (202) 447-8991]

China

Grain and oilseed production in 1985 is forecast to be about the same as last year, the cotton crop will likely decline, but output of other crops and livestock products will rise. China will continue to export cotton, rice, coarse grains, and oilseeds. The value of U.S. agricultural exports to China will be less than half the nearly \$700 million shipped in fiscal 1984.

Over the past 6 years, the commune system was rearranged and new incentives were devised. Central planning mechanisms remain intact, but more decisions are made at lower levels and market forces are more important. Output flourished during 1979-84: grain output rose 25 percent, cotton 175, and oilseeds 84.

Changes in Crop Mix

Marketing and price reforms in 1985 will do much to complete the change in rural institutions. The number of agricultural commodities under strict control has been reduced from 29 to 10, and the quantity of goods allowed to enter markets has expanded greatly. Restrictions on agricultural prices have been loosened and market forces were given a larger role. How the new system will actually function in 1985 is difficult to determine. Some of the obvious trends are noted below.

Sown area fell from 148.5 million hectares in 1979 to an estimated 143.4 million in 1984 and is forecast to drop another 860,000 in 1985. Grain area will continue to decline, falling about 1.3 million hectares. Cotton area also will fall, but area sown to soybeans, peanuts, and rapeseed will expand. Area of other crops such as hemp, sugar, tobacco, tea, fruit, and vegetables will also increase.

Wheat output is expected to rise, but the rice crop will likely be about the same as last year. Coarse grain production is forecast to drop because of reduced area and slow growth in yields.

Large cotton crops for the last 4 years pushed stocks to the point where government officials decreed that only 4.25 million tons of the 1985 crop will be purchased. Area should

decline about a million hectares and output is forecast to drop substantially.

Oilseed output is forecast to drop slightly because of the decrease in cottonseed outturn. Soybean, rapeseed, and peanut production should rise in 1985.

Agricultural Imports Down, Exports Up

The rapid increases in output over the past 5 years have sharply curtailed China's imports of grain, cotton, and oilseeds. The increases have also enabled China to increase rice and oilseed exports, and provided the surpluses to export cotton and coarse grains.

Substantial exports of rice, oilseeds, raw cotton, and coarse grains will continue in 1985/86. From the growing diversity of crops and animals being produced, and government policies to expand exports, a growing array of Chinese agricultural products should begin to compete in Asian markets.

Wheat shipments dominate U.S. agricultural exports to China. With the decline in China's imports of wheat from all sources, the value of U.S. agricultural exports fell sharply from the record \$2.2 billion in fiscal 1981 to \$692 million in 1984, and is forecast to drop to \$340 million in 1985.
[Frederick W. Crook (202) 447-8676]

South Asia

Wheat Production Setback in Pakistan

A second consecutive poor wheat harvest is forecast in Pakistan because of abnormally dry winter weather. The 1985 wheat crop is estimated at about 11 million tons, unchanged from 1984 and 11 percent below the 1983 record. However, India's wheat crop is estimated near the 1984 record of 45.1 million tons, with record production in irrigated areas offsetting the effects of dry weather in rainfed regions. In Bangladesh, bumper winter rice and wheat crops are now expected to offset flood losses to the fall rice crop, leading to a record 1984/85 food grain harvest. Good winter rains also have boosted prospects for a record 1985 rice crop in Sri Lanka.

India's Wheat Surplus Grows

Indian wheat stocks are likely to reach a record of about 21 million tons--6 to 7 million tons above target--by July 1985. Procurement from the 1985 crop in price support operations is progressing at a record pace because of excellent harvests in surplus areas and weak open market prices. New measures intended to promote wheat use, storage, and exports by the private trade have, so far, been ineffective in reducing the surplus. Rice stocks are also building because of record procurement and slowed demand for subsidized rice. Total food grain stocks may reach 27 to 28 million tons--8 to 9 million above covered storage capacity--by July 1985. Large potential storage losses and stock carrying costs may prompt additional efforts to export wheat. Exports are projected to rise from 750,000 tons in 1984/85 to 1.5 million in 1985/86, but actual sales may depend on the Government's willingness to export at below the cost of procurement (\$125 per ton) plus handling.

Pakistan's Wheat Imports Likely To Rise

Pakistan's wheat imports are forecast to rise from 1.3 million tons in 1984/85 (July/June) to about 2 million in 1985/86 because of consecutive poor harvests. About 400,000 tons are received annually through the World Food Program (WFP) for Afghan refugee relief, with the remainder purchased by the Government for distribution and stockholding needs. U.S. sales in 1984/85 will be limited to donations through the WFP. Competitors, primarily Australia, will supply the remaining imports, all financed through barter of fertilizer and other goods with third countries. Barter opportunities will continue to be exploited in 1985/86 because of Pakistan's tight balance of payments situation. So far, about 350,000 tons of 1985/86 imports, mostly from Australia, have been arranged through barter.

Bangladesh's 1984/85 food grain imports, boosted by pessimistic initial production assessments, are estimated at 2 million tons of wheat and 714,000 of rice--including a record 1.25 million of commercial purchases. With better-than-expected 1984/85 harvests and an average 1985 monsoon, 1985/86 imports are projected to fall to 1.6 million tons of wheat and 200,000 of rice. Commercial and

concessional U.S. wheat sales to Bangladesh are estimated at a near-record 975,000 tons in 1984/85, but are projected to slip to 800,000 in 1985/86.

Vegetable Oil Imports Decline

India's edible oil imports are forecast to drop from 1.7 million tons in 1984 to 1.3 million in 1985. Consecutive good oilseed harvests and 1984's record imports are easing pressure on both domestic prices and government supplies of imported oils. Pakistan's edible oil imports are also forecast to drop more than 11 percent to 640,000 tons in 1985, primarily because of record domestic cottonseed production. Smaller total import demand and resurgent competition from Malaysian palm oil have sharply reduced soybean oil purchases by both countries. India's 1985 soybean oil imports are forecast to drop 40 percent to 450,000 tons, while Pakistan's drop 35 percent to 220,000 tons. More moderate gains in oilseed production in both countries in 1985/86 are projected to raise edible oil import demand 5 to 10 percent in 1986, but competition from palm oil is likely to continue to constrain soybean oil sales. [Maurice R. Landes (202) 447-8229]

Southeast Asia

Indonesia: Rice Importer to Exporter

Agricultural production in Indonesia advanced 9.5 percent in 1984, led by a record rice crop of 25.8 million tons. The record outturn resulted from 5 percent more harvested area, a 15-percent increase in fertilizer use, and more intensive use of chemicals and disease- and pest-resistant HYV seeds. The world's leading rice importer (2 million tons annually) during 1977-80, Indonesia is expected to export about 250,000 tons during 1985. Farm sector growth is expected to decline to about 4 percent in 1985 with rice output about 26.5 million tons. The fifth Indonesian 5-year economic plan targets rice production in 1988 at 29.4 million tons.

Malaysian Palm Oil Rebounds

Malaysian palm oil output surged 23 percent in 1984 and area planted to oil palms increased 8. A large proportion of palm oil output is exported. Singapore and India are

the major destinations; other leading markets include Pakistan, the USSR, the Netherlands, the United States, and Saudi Arabia.

Agricultural growth in 1985 will be led by expected palm oil production of 3.9 million tons.

Philippine Agriculture Improves

Philippine farm production rose 1.2 percent in 1984, following a 2.1-percent drop due to drought a year earlier. Production losses in livestock, fishery products, and coconut were offset by growth in rice, corn, sugar, beans, and poultry. For 1984/85 (July/June), rice output may rise 1.7 percent from a year earlier to 5.18 million tons. With a rapid 10-percent rise in domestic demand, the Philippines imported 220,000 tons of rice during 1984. According to the 1985-87 development plan, agricultural output is expected to increase 4 percent per year, with the poultry, coconut, fishery, and rice sectors projected to set the pace. The Philippines continued to enjoy a farm trade surplus with the United States in 1984, shipping about \$600 million worth of commodities--primarily dried coconut and coconut oil, sugar, and pineapple products.

Thai Agriculture Strengthens

Thai agricultural output increased 3.5 percent in 1984 with production of corn, sorghum, rubber, and pork reaching records. Rice production in 1984/85 is estimated at 12 million tons, of which 4.4 million are expected to be exported. Plentiful rain and increased use of improved and high-yielding seed contributed to a higher-quality 1984/85 (July/June) corn output of 4.5 million tons, up 12 to 13 percent from a year earlier. Dry conditions during the harvesting of both the main and late crops improved quality. The moisture content is low and aflatoxin should pose less of a problem than in the past. Strong farm prices in 1983 stimulated record cassava production in 1984. Output reached 20 million tons, with planted area increasing 9 percent over 1983. Large cassava surpluses are expected to develop, as the EC has limited 1985 tapioca imports from Thailand to 4.5 million tons. The USSR, Japan, and South Korea are expected to import 2 million, 400,000 and 250,000 tons, respectively, in 1985 because of falling cassava prices. Current low

prices may encourage domestic use. [Jitendar S. Mann (202) 447-8229]

The Middle East and North Africa

1985 Grain Output Unchanged

Total 1985 grain output in the Middle East and North Africa is basically unchanged from last year. Turkey's production is estimated lower than 1984's mediocre showing with wheat output at 13 million tons, 3 percent below last year's crop. Barley output is forecast more than 9 percent below last year's 6 million tons, and corn output, at 1.5 million tons, is slightly higher. Adverse weather again affected Iraq's wheat production, which may total only twice last year's drought-damaged 250,000 tons. Barley output may be double the 275,000 tons harvested in 1984, but still half the average of the last decade. Judging by adverse weather throughout the region, Iran's wheat crop may be 10 percent above last year's drought-affected 4.5 million tons. Saudi Arabia's wheat crop is estimated at 1.7 million tons, 30 percent above last year. For the second consecutive year, Israel has suffered a drought, and wheat imports are expected to rise, possibly to a record 650,000 tons.

Weather is the key determinant of North African grain production: ample rain in Tunisia is expected to yield a large wheat harvest of 850,000 tons, 20 percent over the 1984 crop. Approximately 600,000 tons are Durum wheat. Barley is forecast up slightly to 370,000 tons. Good weather also has favored the eastern grain region of Algeria, where wheat production may reach 1.32 million tons--800,000 Durum. This is an improvement from 1984's drought-reduced 1.2 million tons, but is only slightly above the average of the last 5 years. Weather in Morocco has been bad this crop year, and a grain harvest of 3.4 million tons is forecast, markedly below 1984's 4.4 million. Wheat comprises 1.55 million tons--900,000 Durum, 650,000 bread wheats--and barley is forecast at 1.45 million. Egyptian grain output is forecast at 8 million tons, about the same as last year.

Grain Imports Higher

Grain imports by the Middle Eastern and North African countries are forecast at 45

million tons, following an increase of almost 6.5 million to 43.7 million in 1984. Virtually all of the gain is in feed grains. The United States accounted for about 2 million tons of the 1984 increase, but a 10-percent decline in U.S. shipments to about 13 million tons appears likely for 1985 because of the cancellation of blended credit to Egypt, Morocco, and Iraq, and Turkey's shift to EC and Argentine suppliers for some of its wheat purchases.

Competition for Imports Intensifies

The region's wheat and flour imports are forecast to increase slightly to about 27 million tons, following a 3.4-million-ton rise to 26.5 million in 1984. Attractive prices and terms caused wheat imports by Iran, Iraq, and Turkey to increase sharply. This year, the United States and Australia are vying to be the region's leading supplier. The region's wheat imports from Australia are forecast at about 8 million tons, with U.S. shipments down from about 10 million in 1984 to 7.8 million. U.S. wheat exports are declining sharply to Morocco and moderately to Egypt, Iraq, Turkey, and Saudi Arabia because of keen price competition, the strong dollar, and continued supplier diversification by importing countries. Egypt is expected to switch to other suppliers for 850,000 tons of wheat that would have come from the United States if the blended credit program was in effect.

Australian Shipments Rising

Australia's 1985 wheat exports to Iran, Iraq, the Gulf Sheikdoms, and Egypt are rising and a new market is being developed in Morocco. Exports to Iran may surpass 1984's 2 million tons, which were triple the 1983 volume. Exports to Iraq are estimated at 1.5 million tons, as U.S. shipments are expected to decline 10 percent to 1 million tons, mostly through GSM-102 and other credit. In 1984, Iraqi wheat and flour imports increased a third to 3.3 million tons. Imports from Australia increased to 1.3 million tons of wheat, while U.S. shipments remained at 1.1 million. Canadian sales to Iraq are being squeezed to half the 500,000 tons recorded in 1984 because of Canada's short supply and more attractive credit offers by others.

Feed Grain Imports Influenced by Subsidies, Prices, and Financing

In 1985, Middle East and North African feed grain imports are expected to rise 7 percent to a record 15 million tons, with larger purchases by Saudi Arabia, Syria, Iraq, and North African countries. The increase reflects the region's efforts to expand livestock production. The United States, EC, and Australia will provide most of the increase.

Concern about possible reductions in elaborate Saudi subsidies for feed grain imports caused Saudi importers to accelerate purchases in 1984, and 1985 imports may reach record levels. In calendar 1985, Saudi barley imports may be in the vicinity of 5 million tons, a fourth higher than in 1984, because of much larger purchases from the EC with a Saudi subsidy of about \$50 per ton. Corn and sorghum imports may approach 1 million tons, with larger purchases of U.S. corn and Thai sorghum.

Iraq's feed grain imports in calendar 1985 are expected to rise to 1.3 million tons, a one-third increase from 1984, with two-thirds of U.S. origin under GSM-102 credit. Iraq was the top market for U.S. barley in 1984.

U.S. corn sales to Egypt should remain at 1.5 million tons, with considerable cash purchases. Commodity Import Program (CIP) financing of \$40 million and GSM-102 credit for \$13 million will provide funds for about a fourth of Egypt's purchases of U.S. corn in 1985. Competition from Argentina has hampered the expansion of U.S. corn sales. [Michael E. Kurtzig (202) 475-3444]

Sub-Saharan Africa

South Africa Recovers from Drought

Improved rainfall in early 1985 caused a sharp turnaround in South Africa's crop production, and output of major crops rose 44 percent from 1983's lows. Corn output did not reach previous levels and yields were still below average, but they did rise 80 percent. Sorghum production is estimated up nearly 200 percent to 580,000 tons, with plantings up 70

percent since 1983. Yields of both corn and sorghum were about 29 bushels per acre this year.

U.S. Corn Exports Down Sharply

South Africa's corn crop, estimated at 7.1 million tons, has brought the country back to near self-sufficiency. As a result, U.S. corn exports in fiscal 1985 are estimated at 800,000 tons, down from 2.7 million the previous year. Use of corn for feed will increase to a more normal 3.4 million tons and imports of feed wheat from Australia are being terminated. The use of sorghum for feed is increasing, and may reach 340,000 tons during 1985/86, thus increasing its share in the feed ration.

Feed and Cornmeal Demand Down in 1984

The wholesale price of yellow corn rose 30 percent in 1984 to R220.50 per ton (1R=.50), discouraging its use for feed. Cheaper sorghum is expected to be available again this year as its 1985 floor price has been reduced to R174 per ton. While producer prices for corn have not been raised for 1985, and yellow corn remains priced at R214.60 per ton, the consumer price has been increased 10 percent, or about \$15 per ton higher than U.S. corn prices in May. On the other hand, retail prices for livestock products have been generally lower than in the United States, thereby explaining the weakened demand for livestock feed and the 5-percent drop in the use of cereals for feed in 1984.

White corn supplies were short in 1984. While the 1985 output of white corn rose to 3 million tons, it still may not cover consumption needs for white corn meal--the favored staple among the Black population. White corn supplies will be boosted somewhat by a barter arrangement with Zimbabwe, which will supply 20,000 tons of Zimbabwean white corn in exchange for 20,900 tons of South African wheat. White corn meal consumption is expected to increase in 1985. Over the last 2 years, a mixture of yellow and white corn meal was less desirable than white corn meal, and consumption dropped in favor of bread and cheap rice. With the increased availability of white corn meal, rice consumption is dropping, which is already reflected in lower U.S. rice exports to South Africa in fiscal 1985.

Oilseed Production Remains Low

South African oilseed output has recovered this year, but remains below trend. Therefore, oilseed product imports will decline slightly, but could exceed last year's \$11.9 million. [Larry Witucki (202) 447-9161]

Latin America

U.S. Imposes Sanctions Against Nicaragua

On May 7, the United States imposed economic sanctions against the Government of Nicaragua. The sanctions include:

- o An embargo on U.S.-Nicaraguan trade;
- o Suspension of service to the United States of Nicaragua's airline and of vessels flying the Nicaraguan flag;
- o Notification of the U.S. intention to terminate the 1956 Treaty of Friendship, Commerce, and Navigation.

The sanctions could adversely affect the already troubled Nicaraguan economy. The country is bankrupt; its foreign debt amounts to about \$4.6 billion, and it has made neither principal nor interest payments since 1983. Inflation is running at an estimated 100 percent, annual rate, and a severe shortage of foreign exchange has created an uncontrolled black market.

Nicaragua's agricultural sector could also be severely affected by the sanctions. Although the United States has a trade surplus in total trade with Nicaragua, the balance of trade in agricultural commodities is heavily in Nicaragua's favor. The United States has been Nicaragua's largest single market, taking about one-fourth of Nicaragua's agricultural exports. Major U.S. imports include beef and veal, bananas and plantains, sugar, and coffee. The United States takes almost 100 percent of Nicaragua's beef and banana exports.

The United States also has been a major supplier of farm inputs, especially fertilizer. About 90 percent of potash, 80 percent of phosphate, and 40 percent of nitrogen fertilizers used in Nicaragua are purchased from the United States.

The sanctions should have little or no effect on U.S. supplies or prices of the affected commodities, and trade with Nicaragua is already so small that any further reductions will not significantly affect U.S. farm exports. U.S. agricultural imports have fallen by half since 1981, and U.S. exports were only \$15 million in 1984. Alternative buyers for Nicaragua's beef and bananas will not be easy to find, and the response of other countries will be vital in determining how much Nicaragua's economy suffers.

Production Prospects Mixed in Argentina and Brazil

Production of major crops in Argentina was up 9 percent in 1985/86 as an 11-percent increase in yields was offset by a 2-percent drop in area. Next year's crop area is likely to expand slightly, reflecting expected increased planting of wheat, sunflowers, soybeans, and corn. Wheat planting is underway, and summer crops will be planted in the fall. Production is expected to be down slightly, assuming a return to normal yields.

Brazil's 1985 production is estimated higher, based on large soybean and cotton harvests, and projected increases in orange juice and coffee. Meat production will likely reverse the decline of recent years, but growth will be modest with slaughter well below previous records. Production of staple foods for domestic consumption, especially corn and rice, may decline slightly because of stagnating area and bad weather.

Trade Patterns Shifting

Argentina's grain and oilseed exports for the 1985/86 Argentine marketing year are likely to increase from 1984/85's 26.3 million tons. In recent years, Argentina has worked to expand its share of the Latin American wheat market to reduce dependence on Soviet buying. During 1983/84 (December-November), Argentina exported nearly 2 million tons of wheat to Latin America, up from about 400,000 in 1981/82. At the same time, the Soviet share fell from 75 percent to an estimated 25 percent. Argentina's long-term agreement with the Soviet Union, which calls for 4 million tons of corn and sorghum annually, expires in December 1985. Argentina has also increased wheat sales to the Middle East and China.

Oilseed product exports from Argentina are expanding rapidly, from 2 million tons in 1981/82 to a forecast 6 million in 1984/85. Most of the increase is in soybean meal exports, which are forecast at 2.8 million tons for 1984/85, up from less than 1 million in 1981/82. Export tax incentives for soybean crushers have accelerated meal exports and lowered the amount of raw soybeans available for export.

Brazil's record 1984 soybean and cotton crops are being marketed at low world prices. The low prices have combined with higher-than-expected inflation adjustments in Brazilian price support formulas to force the Government to purchase soybeans and grain, especially in the interior producing regions where transportation costs make market prices unattractive.

The Government may have to purchase 5 million tons of commodities, including 1 million tons of soybeans. This is the first time the Government has acquired large quantities of soybeans, and it is not clear what it will do with them.

Brazilian soybean trade patterns are shifting, as exporters are to export more beans instead of concentrating on oil and meal. This trend may be complemented by U.S. soybean quality problems.

Andean Economies Struggle

Despite generally higher crop production and record output of corn, rice, and palm oil in most Andean countries in 1984/85, poor economic conditions continue to influence decisions concerning trade policy and food prices. The countries limit imports to improve their poor balance-of-payments situation. Food prices have been affected by both limited foreign exchange and rapid inflation.

Income growth is expected to be limited in 1985. Chile's March 3 earthquake will exacerbate an already weak economy. Damage amounted to almost \$2 billion, and the two main ports were severely damaged. Venezuela is looking at little real economic growth in 1985.

One outcome of poor economic conditions in Peru is government price controls on two basic breads effective April 1. The breads

account for nearly 20 percent of total bread consumption and are important to lower-income groups. In addition, Peru is repaying its debt to the USSR with coffee and possibly poultry to deal with its difficult economic situation.

Bolivia had some relief earlier this year from its inflationary spiral, but a 33-percent devaluation sent food prices soaring—for example, beef rose 30 percent and tomato prices doubled. Bread, butter, and cheese disappeared from the markets. [Carol Goodloe (202) 447-8376]

WORLD TRADE AND FOOD POLICY

International Organizations

OECD Ministerial Meeting

Economic ministers from the 22 industrial country members of the Organization for Economic Cooperation and Development (OECD) met April 11-12, in Paris, for the annual session of the OECD Ministerial Council, to review world economic conditions and short term directions.

The ministers noted that the world economic situation improved substantially in the past 2 years. They cited decreased inflation, improved profitability and investment, and increased trade that has benefited both developed and developing countries.

To continue this recovery, the ministers reaffirmed their commitment to an open, multilateral trading system, which a new round of trade negotiations in the GATT would strengthen. The ministerial communique called for negotiations to begin "as soon as possible" and, although unanimity on a specific starting date could not be reached, some ministers, including those from the United States, Canada, and Japan, felt the date should be in early 1986. The ministers will propose a senior-level preparatory meeting in the GATT during the summer to reach a consensus on the topics and procedures for such negotiations.

The EC minister, supported strongly by the French minister, maintained that trade negotiations alone would not solve important

monetary and financial issues—such as the value of the U.S. dollar and its effect particularly upon developing country debt—which should be addressed in parallel with preparations for a new trade round. Rather than support the summer preparatory meeting or a specific date for a new round, the EC argued for drawing a broader number of participants—such as the developing countries—into a new trade round.

Following their summit meeting in Bonn on May 2-4, the leaders of the seven major industrial democracies endorsed the OECD proposal for new trade talks. The French cast the dissenting vote on the start of the talks in early 1986, emphasizing instead the importance of involving a greater number of participants, as well as of including other issues besides trade.

Trade Actions

U.S. Export Enhancement Program

On May 15, the USDA announced a new Export Enhancement Program, designed to expand U.S. farm exports and to encourage negotiations on agricultural trade issues with other countries. The program commits up to \$2 billion of CCC inventories as bonuses to U.S. exporters over the next 3 years to expand sales of specified commodities to targeted markets.

Each export initiative will be commodity- and destination-specific, and will be reviewed to ensure that the announced terms and conditions of each initiative fulfill the following criteria:

- o Additionality—where U.S. agricultural exports increase above what would have occurred without a program;
- o Targeting—where sales are targeted to specific market opportunities, particularly those that challenge competitors who subsidize exports;
- o Cost effectiveness—where sales should result in a net plus to the overall economy;
- o Budget neutrality—where sales do not increase budget outlays beyond what would have occurred in the absence of a program.

Program regulations allow qualified exporters, who make open-market sales agreements with the specified importer, to then submit bids for bonuses under the program. Bonuses will be awarded by measuring the daily bids against a sales price range set daily by USDA.

The first export initiative, announced June 4, will be to Algeria and involves up to one million tons-- including bonus-- of any wheat other than Durum. The sale would represent over one-third of Algeria's estimated wheat import needs in 1985, and would meet the program objectives of additional U.S. sales and a countering of unfair trade practices to encourage future trade negotiations. The U.S. wheat market share in Algeria has fallen from 41 to 16 percent, while the EC share rose from 29 to 59 percent between 1979/80 and 1984/85.

Canadian Pork Countervailing Duty Case

Following the U.S. International Trade Commission's initial finding that the U.S. pork industry is suffering "material injury," the U.S. Department of Commerce announced June 10 its final determination concerning subsidies on exports of live swine and fresh, chilled, and frozen pork products from Canada. The countervailing duty (CVD) case was filed November 2, 1984, by the U.S. National Pork Producers Council, and joined subsequently by seven U.S. pork packing firms.

The department announced the estimated net subsidy to be Can\$0.03272 per pound dressed weight (US\$0.02708), or Can\$0.02602 per pound live weight (US\$0.0189). The bonding rate for Canadian imports of these products has been set at Can\$0.05523 per pound dressed weight (US\$0.0402), or Can\$0.04390 per pound live weight (US\$0.03196) to account for subsidy payments that are possibly being made now. U.S. imports of live swine and fresh, chilled, and frozen pork products rose 60 percent from 1983's \$251 million to \$404 million in 1984.

The department found that Canadian price support programs, such as the Hog Stabilization Payments Program under the federal Agricultural Stabilization Act and provincial programs, provide subsidies on the pork products cited.

The temporary countervailing duty (suspension of liquidation order) issued April 3, 1985, will be continued at the bonding rate to offset the net subsidy. All new imports require a bond or cash deposit. The Commerce Department will issue a countervailing duty order if the International Trade Commission's final determination, due July 25, 1985, decides there is or will be material injury to the U.S. pork industry by reason of these imports.

Food Aid Programs

U.S. Aid for African Famine Relief

On April 4, the President signed the fiscal 1985 Supplemental Appropriations Act for Emergency Famine Relief and Recovery in Africa and for Other Purposes (H.R. 1239), which provides funding for food, disaster, and refugee assistance.

The Act provides \$400 million in P.L. 480 Title II assistance, available until December 31, 1985, of which \$100 million may be used for inland transportation. The measure also contains a Title II emergency reserve of \$225 million, available after the \$400 million is exhausted and until September 30, 1986.

Discretionary funding authority in 1985 is also provided for up to 200,000 tons of food, half of which should be wheat or wheat products, distributed through private voluntary organizations under the Section 416 program for dairy and wheat product donations.

The Act also appropriates \$175 million in disaster and refugee assistance for previously approved aid. It comprises \$137.5 million for emergency relief and recovery assistance for Africa, \$12.5 million for emergency migration and refugee assistance in Africa (both available until March 31, 1986), and \$25 million to replenish the President's emergency refugee and migration assistance fund (available until exhausted).

The Act requires a number of specific actions before disbursing funds, including: (a) preparation of a country plan to ensure effective use of funds, (b) certification of Title II funds for inland transportation to prevent starvation and food spoilage or loss, and (c) notification to Congress before using

the disaster assistance funds. [Ted Wilson and Mark Smith (202) 447-8470]

COUNTRY BRIEFS

Turkey Diversifies Grain Suppliers

Stagnating grain production in Turkey is resulting in increased grain imports estimated at 1.1 million tons in 1985/86. Until 1984, the United States was Turkey's dominant and often sole grain supplier. This year, Argentina and the EC have become suppliers of at least 450,000 tons of wheat. Argentina has also offered Turkey \$58 million in credit over the next 3 years for wheat purchases.

Despite the availability of U.S. GSM credit, Turkey bought wheat from other suppliers because of price differentials, the strong dollar, and apparent displeasure concerning the ongoing textile and steel quota negotiations with the United States. In 1984, U.S. agricultural exports to Turkey reached a record \$286 million and total Turkish agricultural imports were estimated at \$650 million, also a record. For fiscal 1985, the United States has provided \$183 million worth of GSM credit for Turkey, but to date only 10 percent has been used. The lagging purchases also demonstrate efforts, not only by Turkey, but by other Middle East and North African countries, to diversify suppliers. [Michael E. Kurtzig (202) 475-3444]

Second Consecutive Drought in Israel

For the second consecutive year, Israel has suffered a drought that has sharply reduced its wheat crop and will result in increased imports. Wheat output, which was a record 335,000 tons in 1983, will be slightly higher than last year's dismal 140,000 tons. Late rains in February and March did not alleviate the drought, although the moisture helped fields already under irrigation.

The reduced output bodes well for the United States, as all of Israel's wheat and most of its feed grain imports are of U.S. origin. In 1984, U.S. wheat shipments were 571,948 tons and feed grain shipments were 790,938. Projections for 1985 are for more than 600,000 tons of U.S. wheat, and slightly over 1.1 million of feed grains, mostly corn

and sorghum. Another 100-200,000 tons of barley normally come from France or Canada. The amounts of each grain will be somewhat determined by their relative prices. [Michael E. Kurtzig (202) 475-3444]

U.S. Share of Egyptian Wheat Imports Declining

Changes in U.S. export programs and intense competition from other suppliers may cause the U.S. share of Egypt's wheat and flour imports to drop to 25 percent in 1985, the lowest in a decade. In 1983, the U.S. share reached 58 percent and the actual amount reached 3.85 million tons (wheat equivalent), including 1.5 million tons under P.L. 480 and 1.45 million through the PIK wheat flour arrangement. About 500,000 tons were bought through blended credit. In 1984, the PIK wheat flour arrangement was not repeated and U.S. shipments dropped to 2.3 million tons (wheat equivalent), only 33 percent of Egypt's total imports of wheat and flour. The blended credit for 850,000 tons scheduled for 1985 apparently will not be used because of the cargo preference ruling that would double the transport cost.

In 1985, Australia and the EC may move ahead of the United States as suppliers of Egypt's wheat and flour imports, which will total about 7 million tons (wheat equivalent). U.S. financing through Title I, P.L. 480 for wheat and flour to Egypt declined \$25 million per year since 1982 and fell to only \$225 million in fiscal 1985. [John B. Parker (202) 475-3453]

Countertrade Important in Nigeria

In the face of a foreign exchange shortage brought on by weak petroleum prices and burdensome debt repayments, Nigerian imports have declined sharply since 1980. Since 1984, Nigeria has entered into a number of major countertrade agreements that appear to allow more imports than would be acceptable under conventional arrangements. Agreements totaling \$2 billion have been signed with Brazil, France, and Austria. Brazilian cotton and sugar, and French and Austrian sugar are among the commodities going to Nigeria in exchange for petroleum. U.S. firms and several other European countries continue negotiations for further countertrade arrangements.

The movement towards countertrade promises to benefit Nigerian industries that depend on imported inputs. However, it threatens established trading partners and OPEC agreements. Although Nigeria professes support for the OPEC price schedule

and production limits, the countertrade provisions clearly do not show adherence to OPEC standards. Nigeria announced a 3-month moratorium on further countertrade in late May. [Carl C. Mabbs-Zeno (202) 475-3449]

Spain's Accession to the European Community

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Abstract: The Council of Ministers voted in March to admit Spain into the European Community (EC) in January 1986. Since agricultural products, especially corn and soybeans, are the largest contributor to the U.S. trade surplus with Spain, Spain's entry into the EC could significantly affect U.S. exports. The actual effect remains unclear, however, because the existing mix of farm subsidies in Spain is complex, the potential for new investments in irrigation is not well known, and recent changes in Spain's agricultural policy have an effect independent of the incentives provided by accession to the EC.

Keywords: European Community, Spain, enlargement, agricultural policy.

The Council of Ministers voted in March to admit Spain and Portugal to the EC on January 1, 1986. Once the accession agreement is ratified by the parliaments of the 10 member nations, Spain will be fully integrated into the EC following a 10-year transition period.

EC Enlargement Supported

Numerous objectives have been cited for admitting Spain into the EC. The Government of Spain, one of the strongest advocates of accession, views EC membership as a means of modernizing Spanish industry, improving its infrastructure, and, most importantly, achieving recognition as a modern European state. French President Francois Mitterrand looks upon Spain's accession as a means of bolstering the Western Alliance and the influence of the southern countries in the EC. France and Germany have promoted enlargement as a means of fostering economic reform and political unity within Western Europe.

Obstacles Delayed Agreement

Spain began to negotiate for admission to the EC in February 1979. As far back as 1962,

however, Spain applied for admission without success since, under Franco, it was an unwelcome partner in the drive towards a "modern and progressive" Europe. Spain's application was consequently delayed until after the coronation of Don Juan Carlos de Bourbon in November 1975.

Economic concerns have recently been the chief impediment to accession. Spain has a large population, 38 million, and large problems. In 1982, 18 percent of the labor force worked in agriculture and 19 percent of the labor force was unemployed. More generally, the economy has been burdened by dependence on imported oil (98 percent of domestic consumption), by protectionist economic policies in the steel, shipbuilding, finance, and agricultural industries, and by regional differences in resources, language, and customs. Therefore, substantial structural adjustment in the Spanish economy is expected to accompany accession.

Recent negotiations over accession have centered on three problems: migration, fishing, and surplus Mediterranean agricultural products. Migration problems arise because average incomes are lower and unemployment rates higher in Spain than in

Country	Population
Belgium	9,854,589
Denmark, 1982	5,119,155
France, 1982	54,085,000
Germany, FR	61,665,800
Greece	9,706,687
Ireland	3,443,405
Italy	56,243,935
Luxembourg	364,600
Netherlands, 1982	14,285,829
Portugal	9,803,400
Spain	37,746,260
United Kingdom	54,321,000
Total	316,639,660

Source: The Statesman's Yearbook: 1983-1984, (New York: St. Martin's Press, 1983).

Northern Europe. Future subsidies to Spanish agriculture under the Common Agricultural Policy (CAP) may help alleviate this problem by creating agricultural jobs for Spanish workers in Spain. Problems with fishing arise because Spain's fishing industry has expanded while EC member states have reduced their fleets from 30 to 50 percent and have accepted EC quotas on their annual catch. The issue of Mediterranean agricultural products arises because Spanish wine, olives, olive oil, fruits, and vegetables compete directly with products of southern France, Italy, and Greece. This has been the primary issue holding up Spanish accession since 1977.

For many years, the French Communist Party allied itself with farmers in southern France to oppose Spain's entry into the EC. Now, as part of the Government of France, the Communists feel a need to demonstrate their support for European unity and no longer take this position. More recently, Greece's Prime Minister Andres Papandreu, a socialist, held up approval of Spain's entry until the Council of Ministers agreed to fund a grant of \$3 billion to ease structural adjustment in Mediterranean regions, particularly Greece.

Transition Periods Vary by Commodity

Spain's accession agreement calls for transition periods which vary by commodities. In less sensitive markets, such as food and feed grains, integration begins immediately on January 1, 1986, and existing EC regulations apply. For more sensitive commodities, a transition period of 7 to 10 years was negotiated.

These terms have been announced for individual commodities:

Fruits and vegetables. For products with a reference price, the EC tariff on Spanish products will decline over a 10-year period with an accelerated decline (65 percent) during the first 5 years to the level currently enjoyed by Morocco, the EC's most favored trading partner. Spanish citrus will incur a countervailing duty throughout the 10 years. Quotas will be established later for products originating in the Canary Islands. Further details concerning technical aspects of the agreements on fruits and vegetables are expected this summer.

Milk, butter, cheese, soft wheat, and powdered milk. Quota restrictions will be imposed over a 7-year period for EC exports to Spain.

Fats and oils. Spanish olive oil support prices will be raised 5 percent annually until harmonization with EC prices is complete. Spanish controls over the marketing of oilseeds will be maintained during the first 4 years after accession. Production ceilings consistent with EC regulations will be established for sunflower and rapeseed production.

Sugar and pork. Neither product will be considered sensitive under the accession agreement. Nevertheless, Spain will have a 1-million-ton sugar quota and an 83,000-ton quota on isoglucose. Existing Spanish sugarbeet programs will be retained for a 7-year transition period. Spain will not be allowed to export pork to the EC because of Spain's long term African Swine Fever problem. The EC has, however, agreed to help Spain implement an eradication program.

Wine. The standard table wine crop will be established at 27.5 million hectoliters, with compulsory distillation of production over 23.75 million hectoliters.

Spain's Minister of Agriculture, Carlos Romero, has stated he is pleased with the agreement, stressing expansion of Spain's markets, greater assistance and protection to the agricultural sector, and the advantages provided by the EC export subsidy. He was also pleased by the fisheries agreement, even though it imposed restrictions on boat numbers, catches, and fishing zones.

Spanish trade with the United States and the EC-10

Commodity	SITC	Imports from				Exports to			
		U.S. 1982	U.S. 1983	EC-10 1982	EC-10 1983	U.S. 1982	U.S. 1983	EC-10 1982	EC-10 1983
Million dollars									
Fish	03	4	5	157	150	22	20	86	101
Cereals	04	751	469	25	143	2	2	8	5
Wheat	041	21	1/	11	8	0	0	4	0
Rice	042	1	7	1/	1/	0	0	4	3
Barley	043	35	2	3	124	0	0	1/	0
Corn	044	598	445	1/	1/	0	0	1	1
Sorghum	2/	96	15	NA	NA	NA	NA	NA	NA
Fruits & Vegetables	05	42	24	49	46	136	133	1341	1162
Oranges	0511	0	0	0	0	1/	1/	493	389
Tomatoes	0544	0	0	1/	0	0	0	192	138
Feedstuffs	08	22	13	15	16	0	0	40	107
Beet pulp	08193	1/	0	1/	1/	0	0	17	40
Meal 3/	0813	21	13	1/	1/	0	3	15	49
Wine	1121	0	0	3	3	39	42	195	180
Tobacco	12	176	198	15	19	1/	6	3	2
Soybeans	2214	728	548	1/	1/	0	0	0	0
Soy oil	4212	0	0	1	1/	0	12	17	17
Olive oil	4235	0	0	0	0	14	13	11	39
Cotton	263	19	33	1	3	0	0	13	2
Agricultural trade		1845	1358	556	666	233	252	1780	1666
Total trade		4377	3461	9824	9403	1293	1436	9284	9453

1/ Less than \$450,000. 2/ FAS attache data. Sorghum is classified as Grains, NES (SITC 0459) by the United Nations. 3/ Includes soybean meal.

Source: Foreign Agricultural Service, USDA, Attache Report (Madrid, SP5021), March 4, 1985.

Accession May Curb U.S. Exports

In 1983, the United States posted a net trade surplus with Spain of \$2.03 billion. The largest export category was agricultural products (\$1.11 billion), of which corn and soybeans made up 73 percent. Spain's accession may significantly affect the U.S. balance of trade with Spain because of changes in Spanish agricultural policy that will occur during the transition period.

The United States has raised three concerns with respect to Spain's accession. First, the duty on corn entering Spain will rise from 11 percent to between 20 and 90 percent, depending on the EC variable levy. Since neither Spain nor the EC is self-sufficient in corn production, this change will not immediately result in much trade diversion of corn. France does, however, export corn within the EC and some of it may be diverted to Spain. In Spain, corn will, however, become more expensive relative to barley, feed wheat, and nongrain feed ingredients. Therefore, there may be some substitution away from corn towards feedstuffs which Spain and the EC produce in surplus. There may also be an

increase in Spain's import demand for nongrain feedstuffs, such as manioc.

Second, neither Spain nor the EC imposes duties on soybean imports. Spain does, however, have a 90,000-metric-ton quota on domestic consumption of soybean oil, which requires Spanish exports of soybean oil. According to the accession agreement, these restrictions will be lifted following the transition period. The present concern is that as EC olive oil stocks increase with Spain's accession, a domestic tax may be imposed on all EC vegetable oils consumption designed to discourage production and raise revenue. Depending on how it is implemented, the policy could result in increased Spanish soybean oil exports and higher soybean meal prices to domestic livestock producers, other things remaining the same. In the first case, the United States is likely to experience greater competition in selling soybean oil. In the second, U.S. soybean exports are likely to decline. In both cases, U.S. exports will be negatively affected.

Third, there is concern that EC enlargement may result in the imposition of

other duties. For example, Spain's weak economy may lower the overall rate of EC economic growth. A lower growth rate could, in turn, reduce import demand for U.S. products and lead to policy initiatives to externalize costs on third countries, such as the United States.

Overall, there is concern among U.S. cotton, tobacco, almond, fruit, and vegetable producers that they may be displaced from EC markets as Spain expands production to supply the larger EC market. Further concern has been expressed that as the products of other Mediterranean nations, such as Israel, are displaced from EC markets by Spanish products, these products will then be marketed in other regional markets and compete more aggressively with U.S. exports. Inasmuch as Spanish production increases or Spanish consumption declines, U.S. producers are likely to experience a loss of export opportunities.

Spanish Producer Response Unclear

The response of Spanish producers to accession is unclear for three reasons. First,

Self-sufficiency ratios for food and feed grains

Crop 1/	1980	1981	1982	1983	1984 2/
Production as a percent of use					
Spain					
Wheat	136	83	97	83	102
Rice	131	120	108	60	123
Barley	117	79	79	86	114
Corn	36	29	31	30	54
Rye	126	85	75	99	100
Oats	93	89	97	101	143
Sorghum	38	8	21	9	21
EC-10					
Wheat	125	122	134	120	147
Rice	83	75	71	75	74
Barley	110	109	114	103	127
Corn	64	67	79	81	82
Rye	105	96	95	96	121
Oats	99	97	100	93	101
Sorghum	72	80	87	88	98

1/ Marketing years beginning in year shown.

2/ Preliminary.

the Spanish Government maintains a complex set of subsidies that may or may not provide producer incentives that are less than those of the EC price policies. In the past, actual differences have been difficult to estimate because the transportation rates normally assumed for support prices for EC grains have never been published for Spain. Second, Spain's climate is semi-arid and crop yields are substantially enhanced by irrigation. Spanish producers can be expected to respond to EC price policies with both a change in the mix of cropping activities and new investments in irrigation. Third, Spain's domestic policies have encouraged greater self-sufficiency, irrespective of the transition to accession.

Past studies normally assumed that EC price supports provide greater incentives for feed grain production and less incentives for non-Durum wheat. Thus, growth in production of livestock products, such as pork, poultry, and beef, was expected to slow following accession due to higher feed grain prices. Barley production was projected to expand at the expense of wheat, in spite of slowing growth in feed use. Little additional wheat feeding was expected.

More recently, analysts have criticized past assumptions about the effect of Spain's accession to the EC. Spanish grain prices now appear much closer to EC support prices. More attention is now given to possible use of feed wheat in Spain and to the potential for rapid expansion of corn on newly irrigated lands. If these new assumptions are correct, a large portion of U.S. food and feedstuff exports to the enlarged EC may be displaced by increases in EC production by the end of the 10-year transition period. These new assumptions have not, however, been adequately studied. [Stephen W. Hiemstra (202) 447-8289]

Food Gaps and Surpluses in Market Economy Countries

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Abstract: Net food exports to non-Communist developing countries likely will continue to grow during the last half of the eighties following trends in food demand that evolved in these countries during the sixties and seventies. Net food importers with widening calorie gaps consisted mainly of petroleum exporters and small, least developed countries. However, net cereal imports by developing countries with improving food self-sufficiencies comprised more than one-fourth of all cereals imported by developing market economies. Countries with declining food self-sufficiencies are found in all parts of the developing world.

Keywords: Non-Communist developing countries, food production/consumption imbalances, country classification criteria, agricultural sector characteristics, food aid, food security, net cereal imports.

Food Gaps Grew Faster Than Surpluses

Of 106 non-Communist developing countries, included in the accompanying table, food self-sufficiency during 1967-80 declined in more than twice as many as it increased. 1/ Similar comparisons for 25 developed industrialized countries revealed quite different results. Forty percent, or 10 countries, were classified as having widening calorie gaps during 1963-78, and 15 countries were classified as consistent calorie exporters with expanding surpluses (40 percent) or calorie importers with narrowing gaps (20 percent).

The differences between developing and industrialized countries are less striking when comparisons take into account demographic

1/ The degree or level of food self-sufficiency in any country is defined as its indigenous food production relative to its domestic food consumption, both terms being expressed in food energy (calories). A country is a net exporter of calories if calorie exports exceed imports and net reductions in food stocks during the accounting period. Changes in this measure over time indicate whether a country's food self-sufficiency is increasing or declining. Countries classified as either consistent calorie exporters with expanding calorie surpluses or net calorie importers with narrowing calorie gaps are examples of countries with increasing food self-sufficiencies. In both cases, indigenous food production increased faster than domestic consumption.

and macroeconomic characteristics. For example, countries with declining food self-sufficiency accounted for 45 percent of the population and nearly 58 percent of the gross national product in the 86 larger developing countries studied. Within this group, petroleum exporters accounted for a major share of GNP. Other developing countries with declining self-sufficiency accounted for 22 percent of the total sample population and 16 percent of the sample GNP. These population and income shares were significantly smaller than the corresponding shares for the industrialized country sample (34 percent of the population and 29 percent of the GNP).

During 1967-80, most developing countries that were net calorie importers with widening gaps were either petroleum exporters with rapid petroleum-led growth, or the smallest and poorest economies. The corresponding classification among industrialized countries was similarly heterogeneous: it included four of the wealthiest nine countries, and several Southern European countries with relatively low per capita incomes.

A recent study showed that differences in food calorie balances among countries could be explained empirically. 2/ Incidences of

2/ Richard C. Taylor and Mervin J. Yetley, Food Gaps and Surpluses in Developing Countries: Status, Trends, and Implications, 1967-88, ERS, USDA, Washington, D.C. February 1985. ERS Staff Report No. AGES840912.

improving food self-sufficiency were highest in the sub-humid tropical rainfall zone, where corn yields benefited from the largest research expenditures. Declining food self-sufficiencies were most common in zones in which the dominant food crops were starchy roots and rice, for which global research expenditures relative to worldwide values of crops produced were lowest during the mid-seventies.

Similarly, developing countries with improving food self-sufficiency harvested crops from larger shares of their potential arable land, and used chemical fertilizers at significantly higher average rates per hectare of cropland than countries with worsening self-sufficiencies. Moreover, some countries with relatively high ratios of population to arable land attained improved food self-sufficiency during the late sixties and seventies. This happened when agriculture used sufficient quantities of land-augmenting inputs, such as fertilizer and irrigation water, to offset higher food demand.

Declines in food calorie self-sufficiencies since 1966 have varied appreciably among developing regions because of differences in agricultural resources and agricultural development. Countries with worsening food self-sufficiencies were common in Africa, the Caribbean Basin, and western South America. Declining trends in food self-sufficiency also appeared in roughly half of the countries in the rest of South America and in Asia. Thus, net calorie importers with widening calorie gaps were found on three continents and on islands in three oceans.

Food Aid Needs Multiplied

The geographic distribution and other characteristics of countries with worsening food self-sufficiencies changed appreciably during the past two decades. Most recipients of food aid during the mid-sixties lived in South and East Asia and in a few of the largest countries in South America and the Near East. In 1980 however, food-deficient countries were widely scattered among the Caribbean Basin, western South America, Sub-Saharan Africa, Asia, and Oceania. It is not likely that the majority of the smaller and poorer countries classified as net calorie importers with widening calorie deficits (gaps)

will be able to achieve food self-sufficiency during the eighties.

Self-Sufficiency and Grain Trade Not Related

Indicators of domestic food production relative to consumption (measures of food supply-demand imbalances) can be used to make comparisons among countries and to quantify changes over time in any food economy. However, classification of developing countries in terms of food self-sufficiency and trends in per capita calorie surplus or gap was not a reliable indicator of their net foreign trade in cereals. One reason is that high percentages of other sources of food calories (sugar, cocoa, and vegetable oils) are exported from developing countries, and these net exports mask and distort the relationships between food self-sufficiency and net cereal trade of many developing countries.

Comparisons between classifications of food calorie self-sufficiencies and net cereal trade during the late seventies were made for 78 developing countries. Thirty-two percent of net cereal imports went to 10 petroleum exporters among the countries classified as consistent calorie importers with widening gaps; 38 percent went to 31 other countries in the same classification; and 2 percent to 11 other countries with worsening food self-sufficiencies. Twenty-eight percent went to 26 countries with improving food self-sufficiencies. Among developing countries other than petroleum exporters, then, average net cereal imports by countries with either worsening or improving food self-sufficiencies were quite similar. This anomaly reflects the fact that cereal exports originated in only a handful of developing countries: net cereal exports from four countries classified as consistent calorie exporters with expanding surpluses accounted for more than 80 percent of total cereal exports from all countries listed in the study. Other countries classified as having improving food self-sufficiencies usually imported cereals and often exported other food calorie products. Consequently, net food exports, particularly cereal exports, to developing countries probably will continue to grow during the second half of the eighties. Furthermore, developing countries

characterized as consistent calorie exporters with expanding surpluses will continue to import cereals in important quantities. Nevertheless, the acceleration of agricultural production in several important Asian and Latin American countries since 1980 suggests

quite clearly that growth in global cereal trade during the eighties will be less robust, and that competition among exporters will be more intense than during the seventies.
 [Richard Taylor (202) 447-8106]

Food calorie self-sufficiency and trends of 106 developing countries

Worsening food self-sufficiencies		Improving food self-sufficiencies			
Calorie exporters 1966-80, importers by 1988	Calorie importers with widening gaps	Calorie exporters with shrinking surpluses	Calorie importers 1966-80, importers by 1988	Calorie exporters with expanding surpluses	Calorie importers with narrowing gaps
Cameroon	Afghanistan 2/5/	Liberia	Barbados 1/	Argentina	Bermuda 1/
Burma	Algeria 6/	Libya 6/	Colombia 3/	Brazil	Central Afr. Rep.
Gambia	Angola	Madagascar 4/	Ecuador 6/	Burundi 3/	Sri Lanka
Niger	Bangladesh	Malawi	Guyana	Chad 3/	Ivory Coast
Zambia	Belize 1/	Martinique 1/	Mauritania	Costa Rica	Malta 1/
	Bhutan 1/	Mexico 4/6/	Namibia 1/	El Salvador	Nicaragua
	Bolivia	Morocco	Somalia	Guatemala	
	Botswana 1/	Mozambique 4/	Sudan	India 4/	
	Brunei 1/	Nepal 4/		Iraq 6/	
	Cape Verde 1/	Netherlands-		Kenya 3/	
	Chile	Antilles 1/		Malaysia	
	Taiwan	Nigeria 6/		Mali 3/	
	Congo	Peru 4/		Mauritius	
	Cyprus	Guinea-Bissau 1/		Panama	
	Benin	Reunion 5/1/		Papua New Guinea 1/	
	Dominican Rep.	Saudi Arabia 2/ 6/		Paraguay	
	Egypt	Senegal		Philippines	
	Ethiopia 4/	Sierra Leone 3/		Zimbabwe	
	Fiji 1/	Suriname		Rwanda 3/	
	Fr. Guiana 1/	Syria		Swaziland 1/	
	Gabon 6/	Tanzania		Thailand	
	Guadeloupe 1/	Togo		Turkey	
	Guinea	Tonga 4/ 1/		Uruguay	
	Haiti	Trinidad &			
	Indonesia 4/6/	Tobago 6/			
	Iran 6/	Tunisia			
	Jamaica 5/	Uganda 3/			
	Jordan	Venezuela 6/			
	Korea, Rep. of	Yemen (Sanaa)			
	Lebanon	Zaire			
	Lesotho 1/	Burkina Faso (Upper Volta)5/			

Total countries in each classification					
5	60	8	4	23	6
Percent of 106 countries in each classification					
4.7	56.6	7.5	3.8	21.7	5.7
Percent of 86 countries in each classification 7/					
5.8	52.3	8.1	4.7	24.4	4.7

Calorie exporters or importers refer to net trade in food calories. Food self-sufficiency is indigenous food production relative to domestic food consumption, in calories. These classifications do not reflect accelerations in food production trends that evolved since 1980.

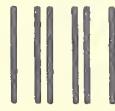
1/ These countries are small in both population and national product and many have unique characteristics which make comparisons of doubtful value. None was included in FAO's recent report *Agriculture: Toward 2000*. 2/ The sharp decline in food production in Afghanistan and immigration to Pakistan since the early eighties had significant, unmeasurable effects on both countries. The recent exploitation of ground-water resources in Saudi Arabia created surpluses of wheat and barley which, if sustained, could change that country's classification by 1988. 3/ The net change projected in per capita food self-sufficiency for 1981-88 was very small. 4/ Moved to this category after 1975. 5/ Moved to this category during 1972-75. 6/ Petroleum exporter by United Nations Organization classification. 7/ The 20 countries denoted by 1/ were not included in this distribution.

Source: ERS, USDA. February 1985. ERS Staff Report No. AGES840912.

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